

Tax Burden, Fiscal Stress and Services Provision

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Background

- Two years researching New York State economy.
- Major findings relevant to today's topic:
 - New York has underperformed/lagged behind the nation as a whole for at least the past 2-3 decades in terms of
 - Population growth
 - Gross State Product
 - Net business establishments
 - Employment
 - Unemployment

Background

- New York has exceeded the nation as a whole in
 - Wages per worker
- The basic question remains however: Why is New York underperforming/lagging the nation as a whole?
- Some frequently mentioned inhibiting factors are weather, utility rates and taxes, etc.
- Enhancing factors include high labor skills, good educational system, extensive system of government services.
- Previously, an intensive examination of one governmental funding program, the Canal Corridor Initiative. Showed no significant discernable influence on the economy of New York state, upstate or the targeted region.

Objectives

- While continuing to pursue more broadly the impact of governmental funding programs on the New York economy, we decided to look at other factors.
- Today we present our examination of the relative **tax burden** on New York citizens and it businesses.
- Secondly, with devolution we examine the increasing dependency of **local governments** on local taxes as a revenue source.

Tax Burden

Three measures of tax burden:

- Taxes per Capita in Real Dollars
(1997 GDP Deflator)

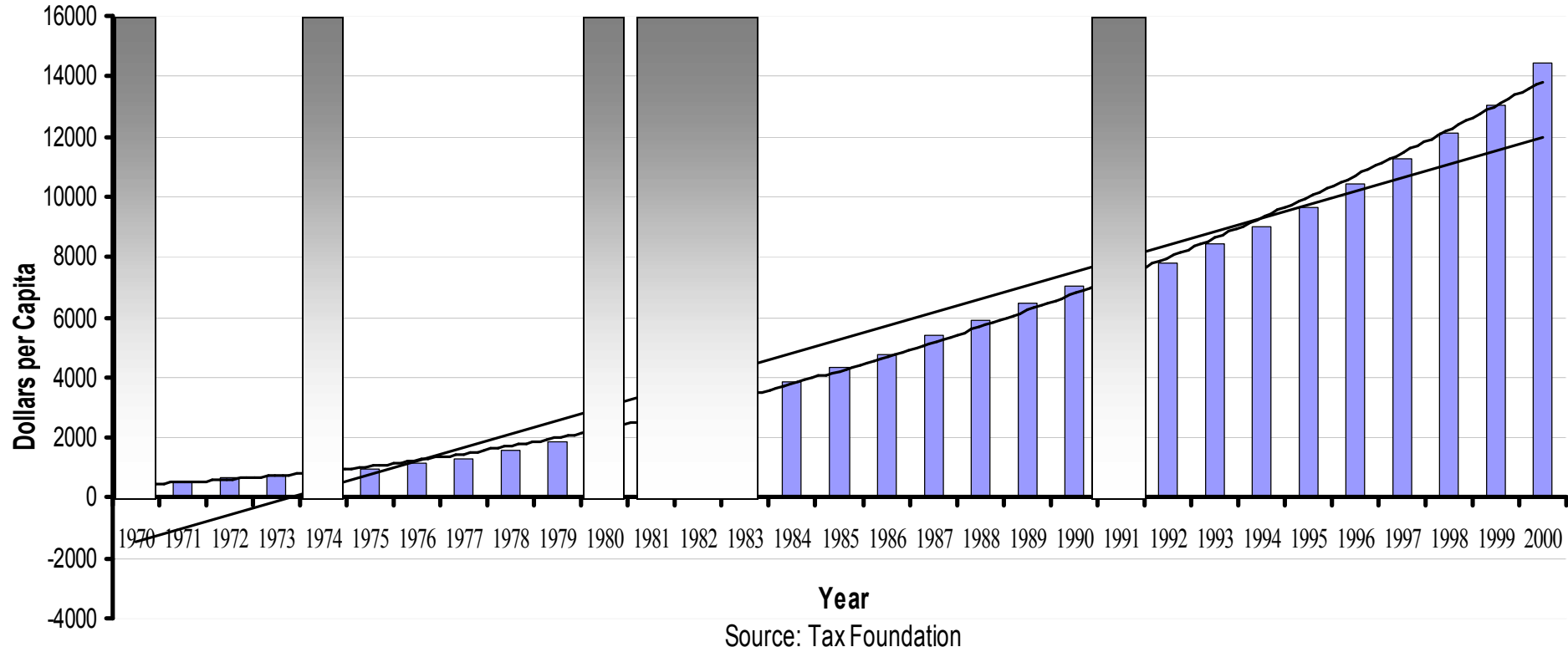
- Taxes as Percent of Income (NNP)

- Rank in nation

Figure 1

New York State

Total Taxes per Capita in Real Dollars



Source: Tax Foundation

Figure 2

New York State

Total Taxes as % of Income (NNP)

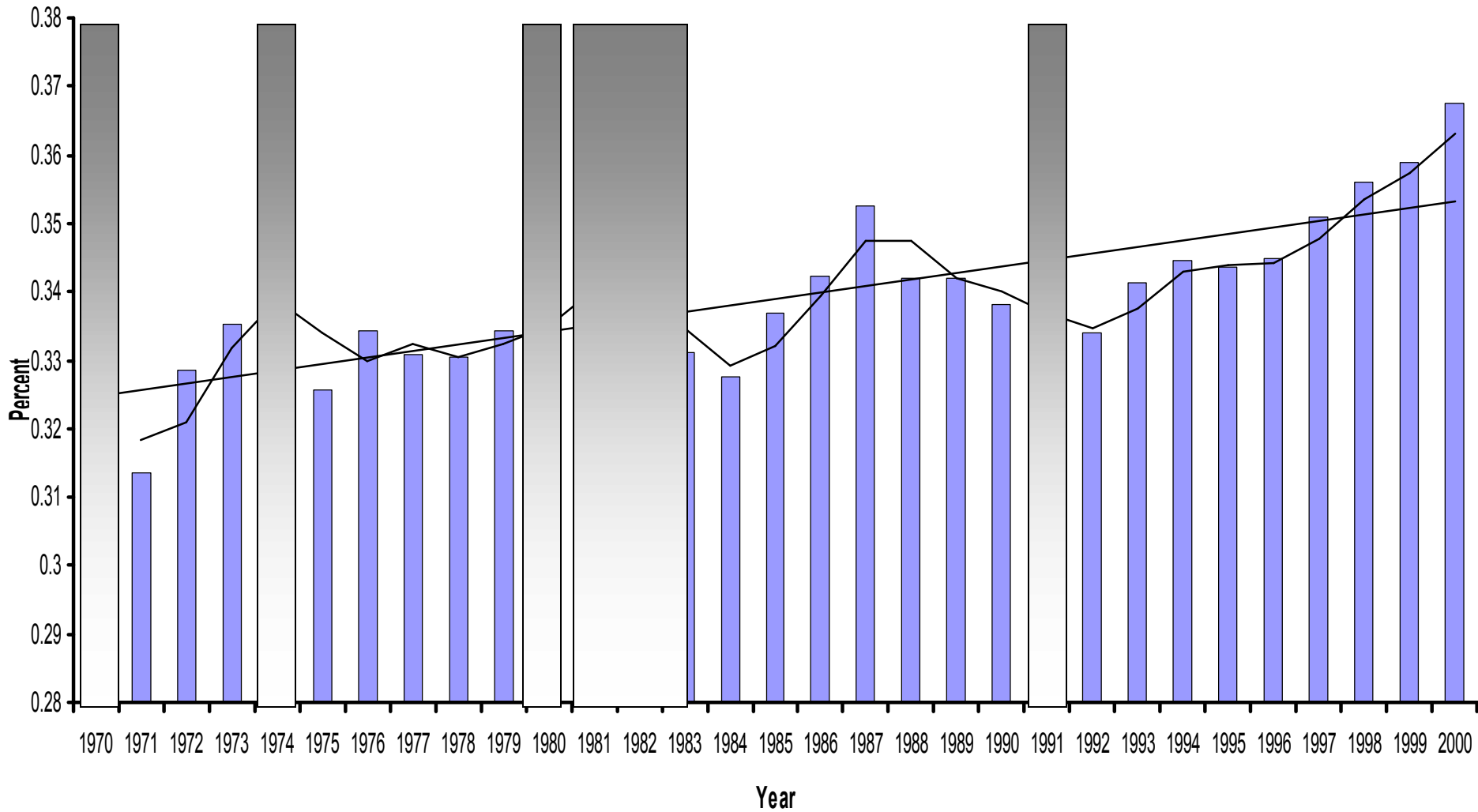
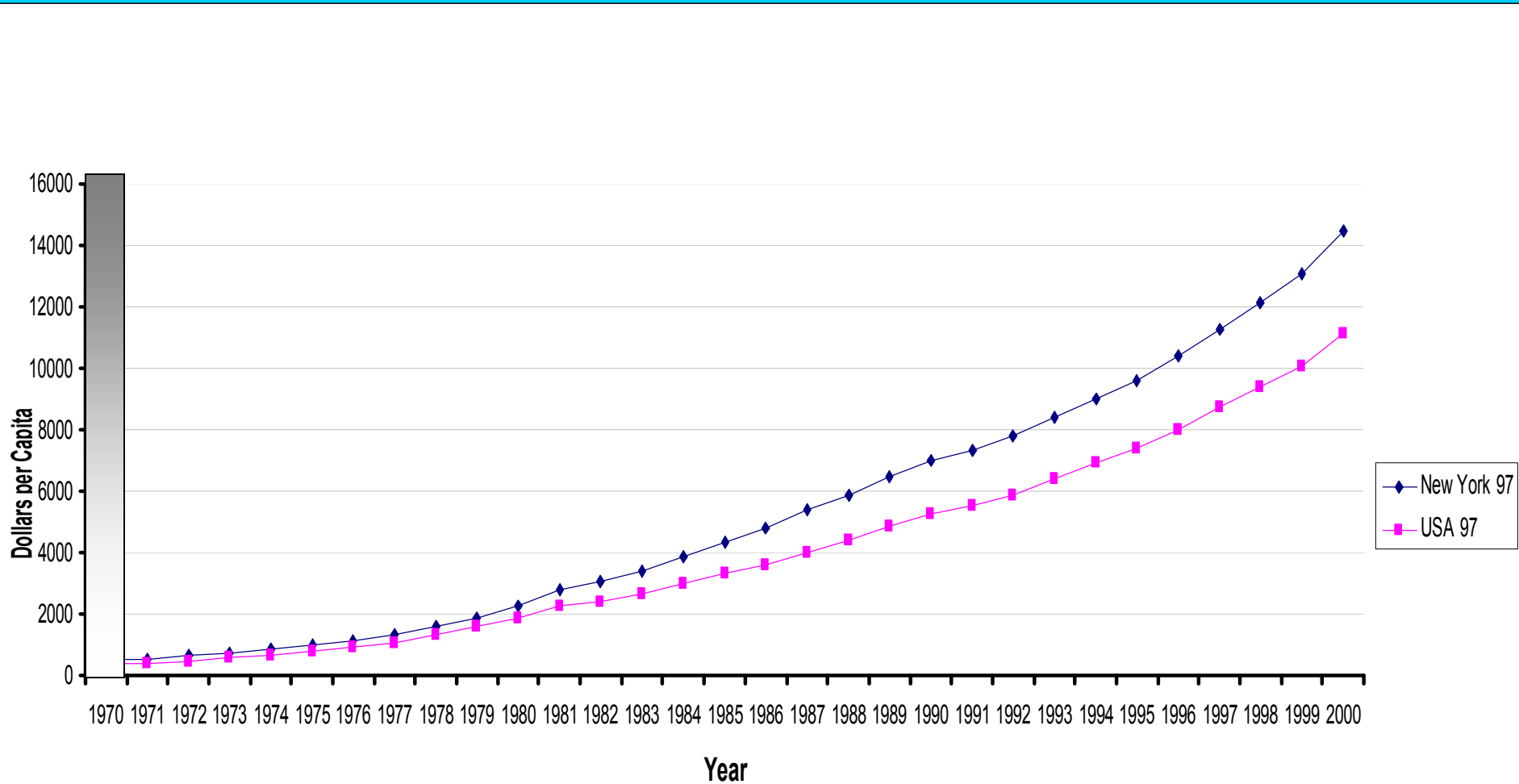


Figure 3

New York vs. Nation

Total Taxes per Capita in Real Dollars

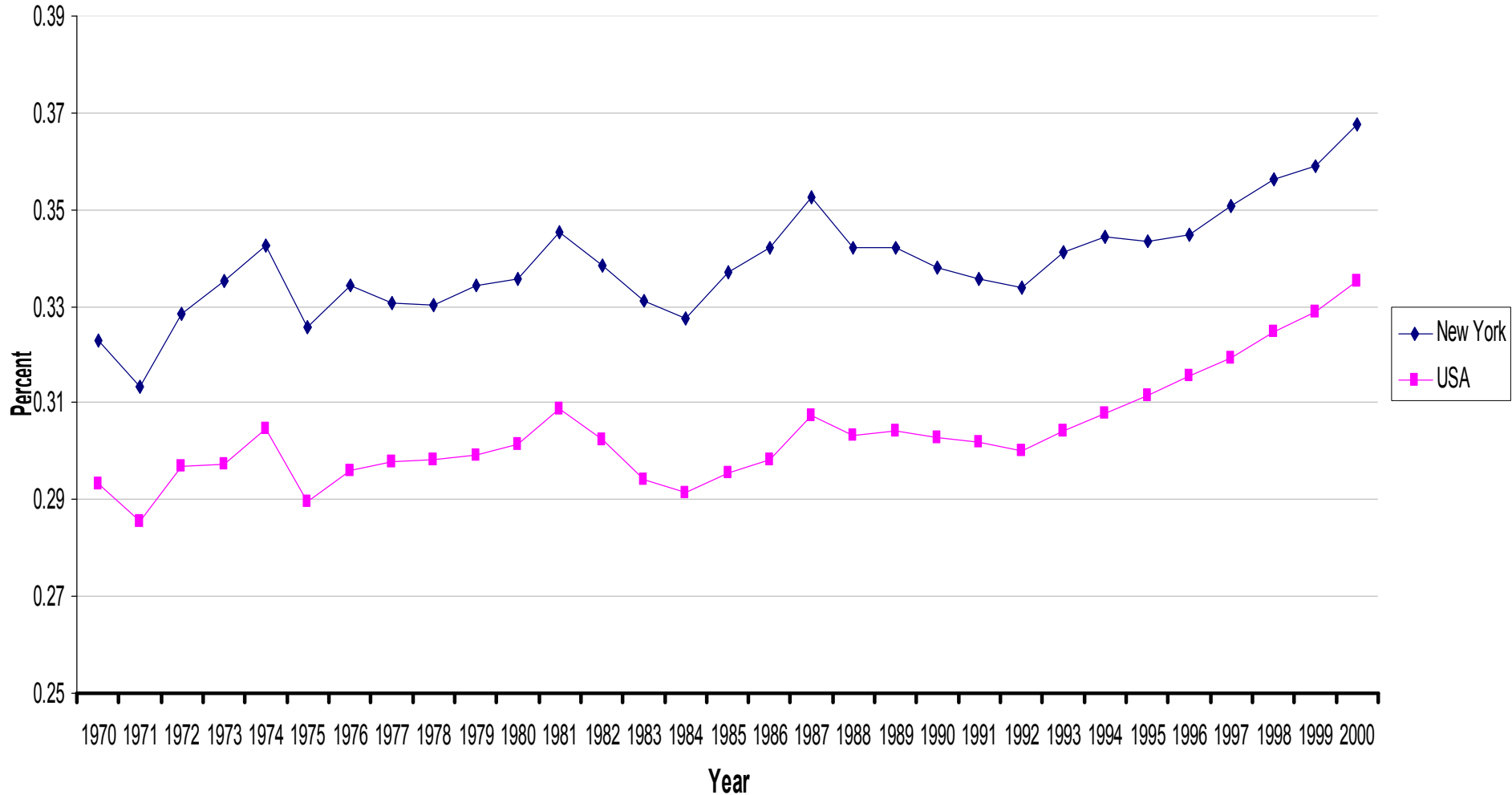


Source: Tax Foundation

Figure 4

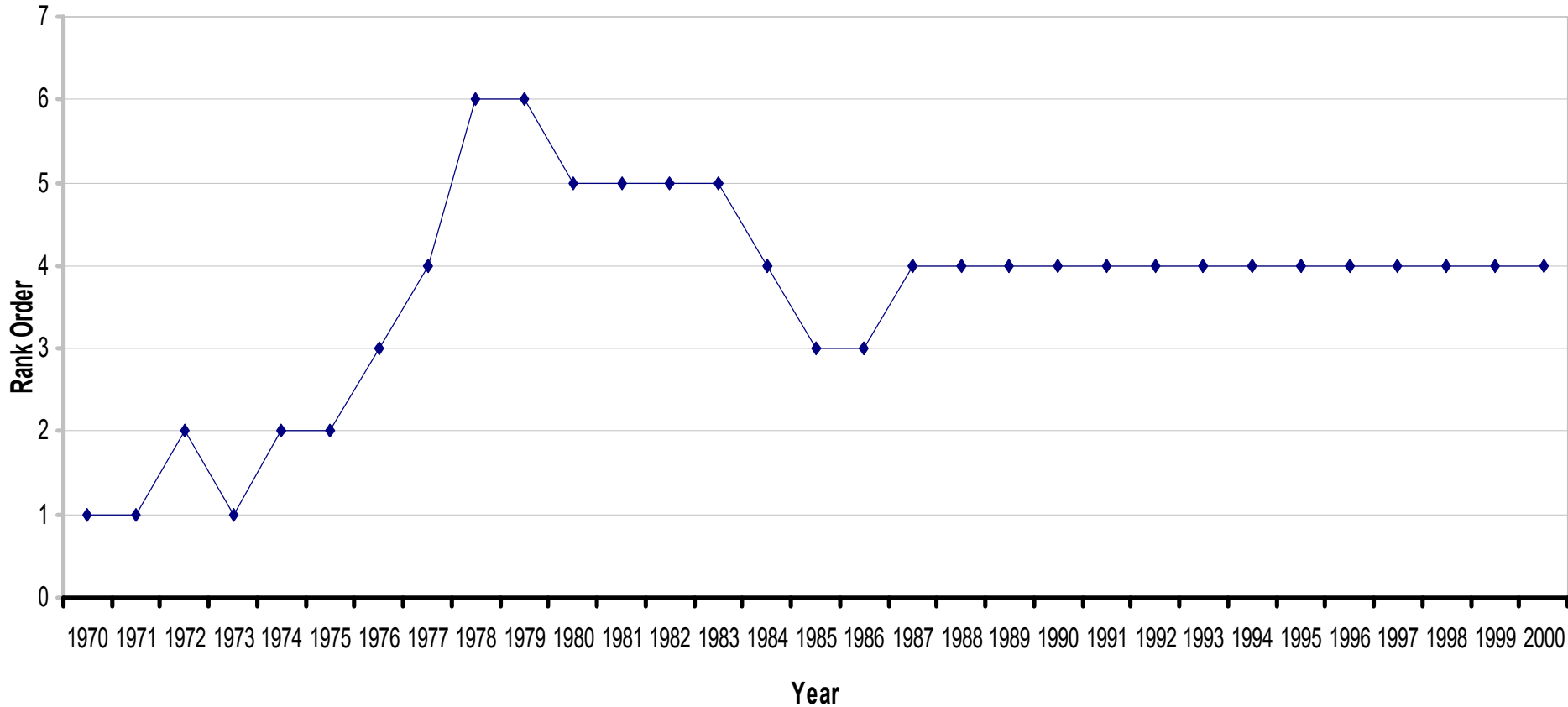
New York vs. Nation

Total Taxes as % of Income (NNP)



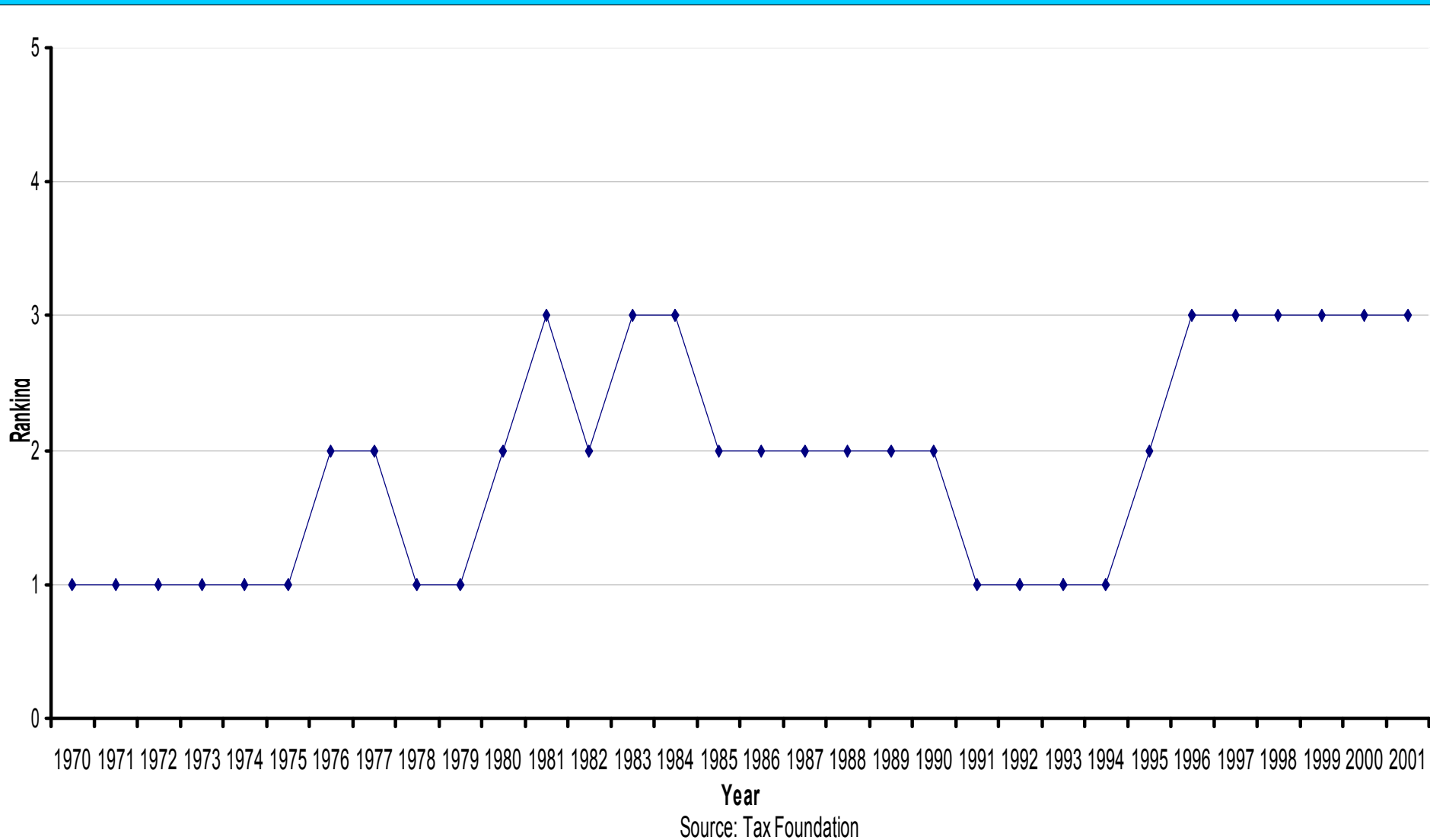
Source: Tax Foundation

Figure 5
New York Rank
Total Taxes per Capita in Real Dollars



Source: Tax Foundation

Figure 6
New York Rank
Total Taxes as % of Income (NNP)



Summary of Total Tax Burden per Capita

- Total Taxes per Capita paid by New Yorkers have been increasingly quadratically.
- There has been a 28.6-fold increase over the 30 years.
- The differential paid by New Yorkers compared to the nation as a whole has grown 27-fold from a difference of \$123 to \$3319.
- New York has consistently held the rank of 4th in the nation in total taxes paid per capita since the mid 1980s.

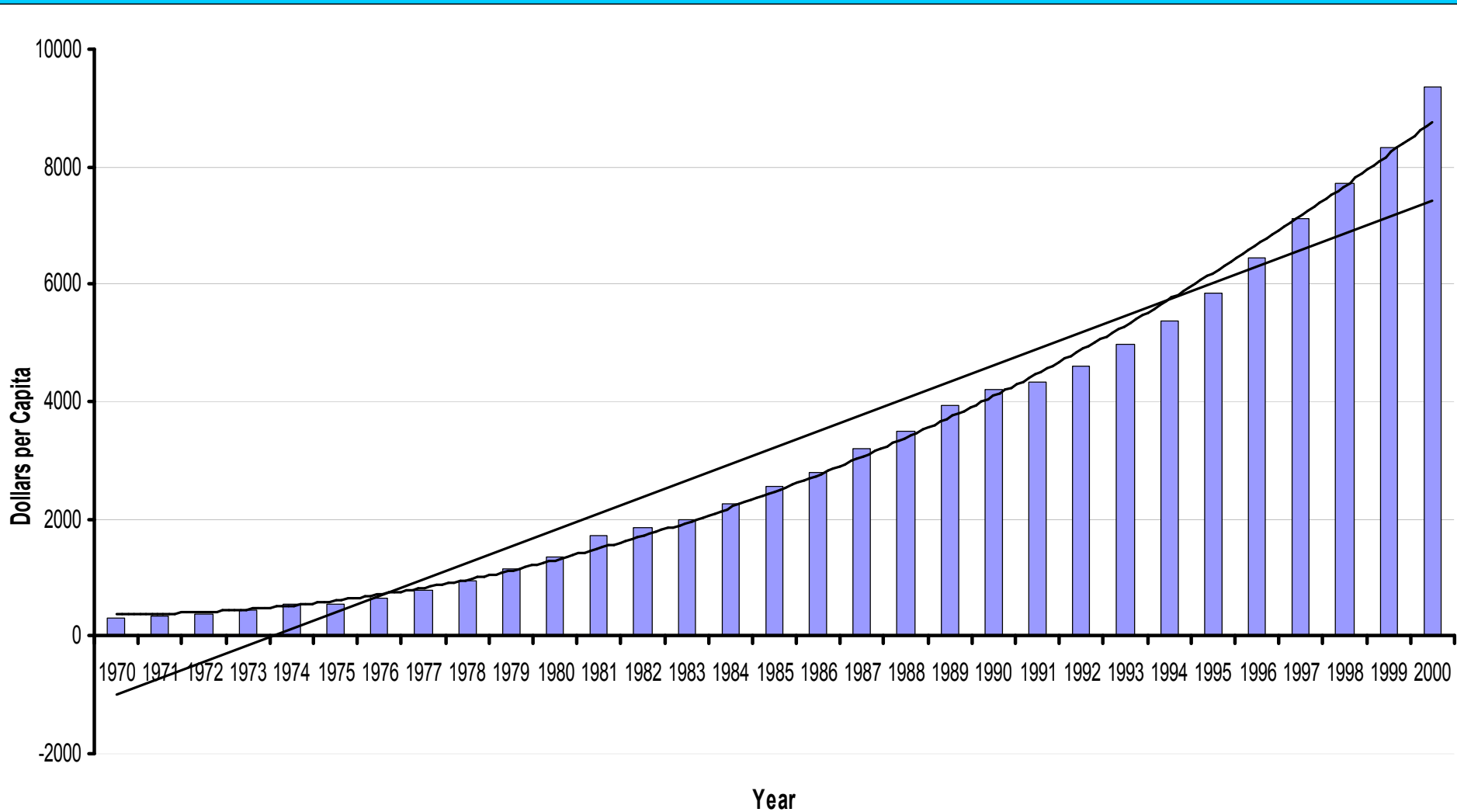
Summary of Total Tax Burden as % of Income

- Total taxes paid by New Yorkers has not been uniform across the three decades, but shows a secular increase.
- New Yorkers have consistently paid more taxes as a % of income than the nation as a whole.
- The percentage difference has remained about 3% higher across the three decades.
- New York's rank has oscillated between 1st and 3rd across the three decades.

Figure 7

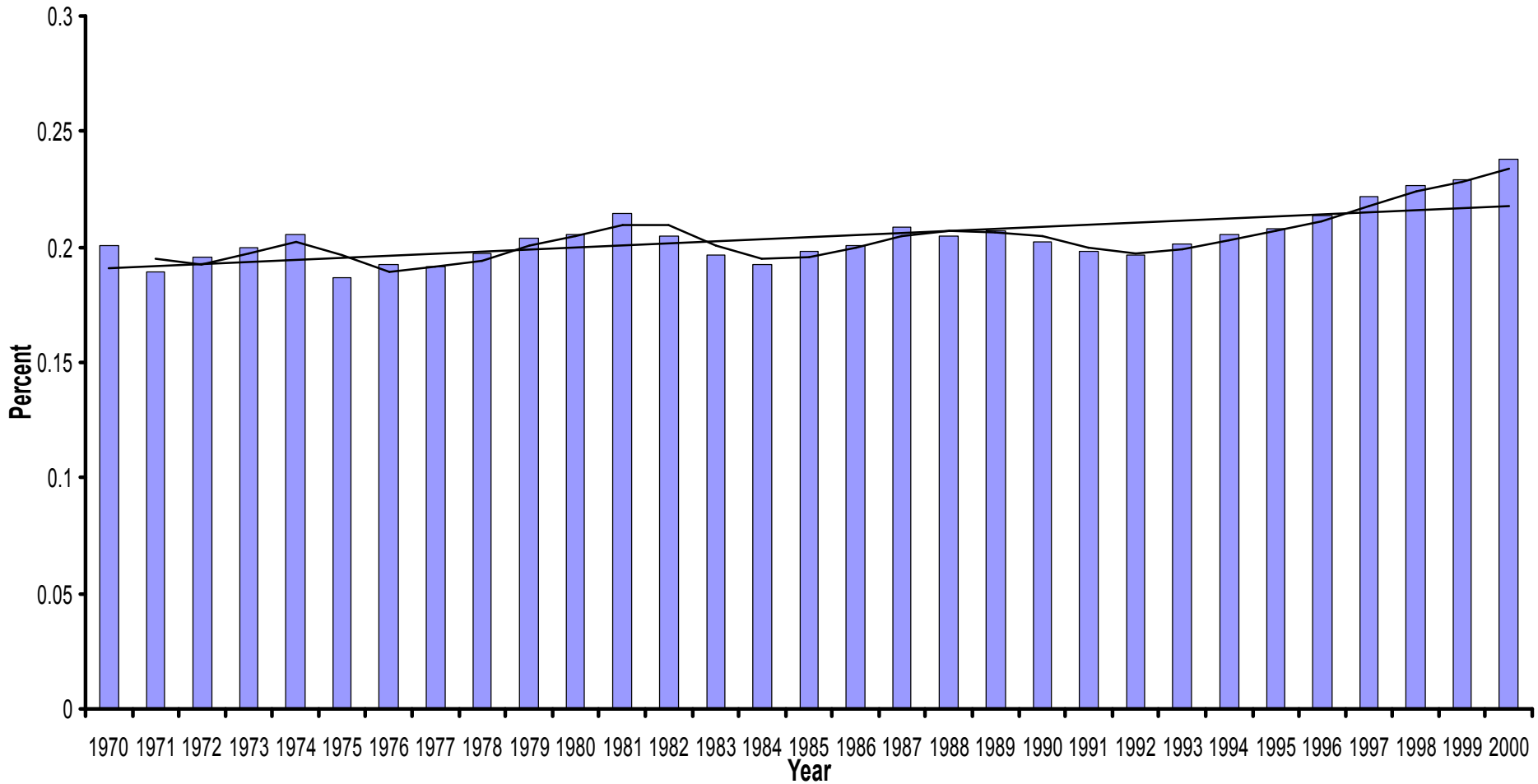
New York State

Federal Taxes per Capita in Real Dollars



Source: Tax Foundation

Figure 8
New York State
Federal Taxes as % of Income (NNP)

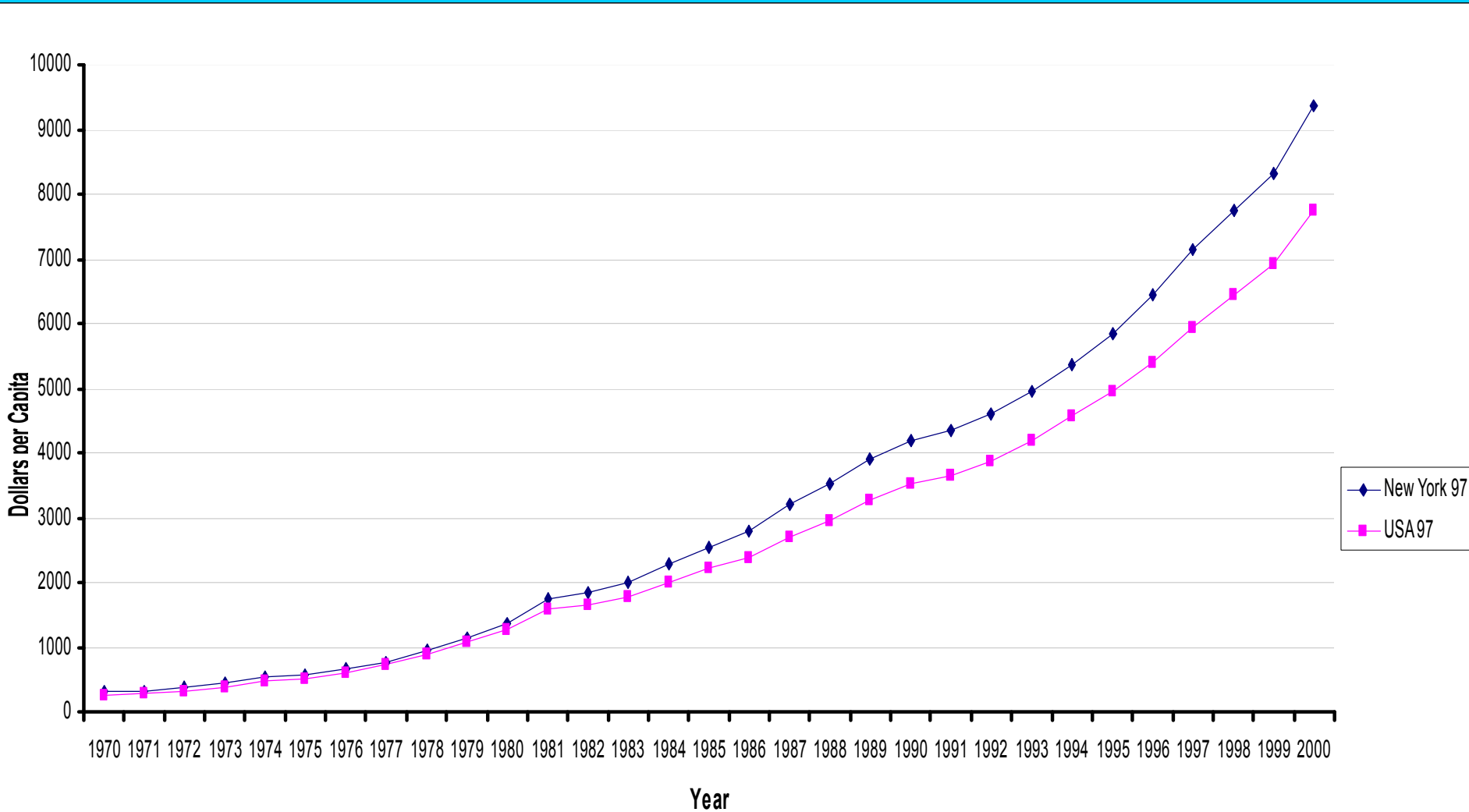


Source: Tax Foundation

Figure 9

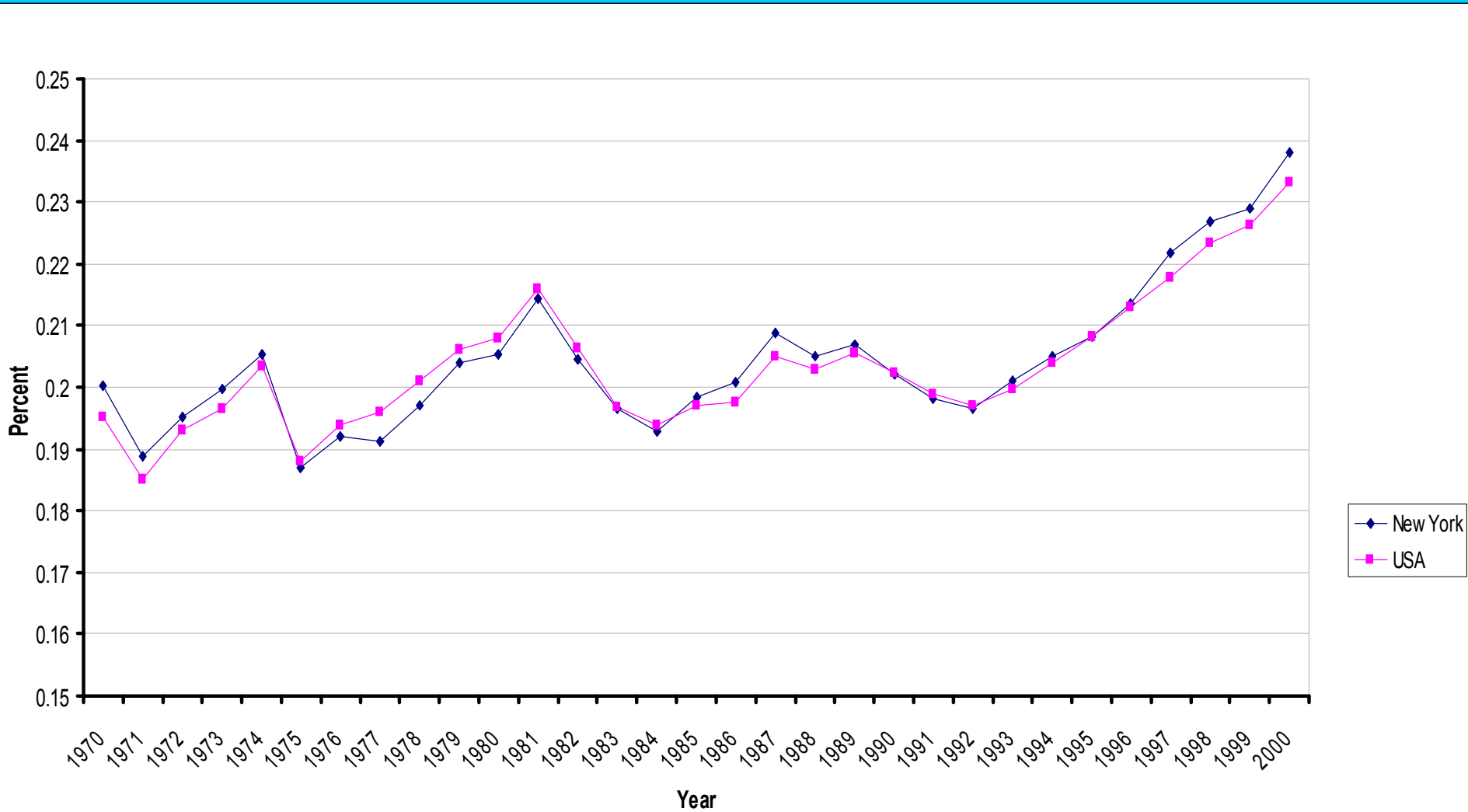
New York vs. Nation

Federal Taxes per Capita in Real Dollars



Source: Tax Foundation

Figure 10
New York vs. Nation
Federal Taxes as % of Income (NNP)



Source: Tax Foundation

Figure 11
New York Rank
Federal Taxes per Capita in Real Dollars

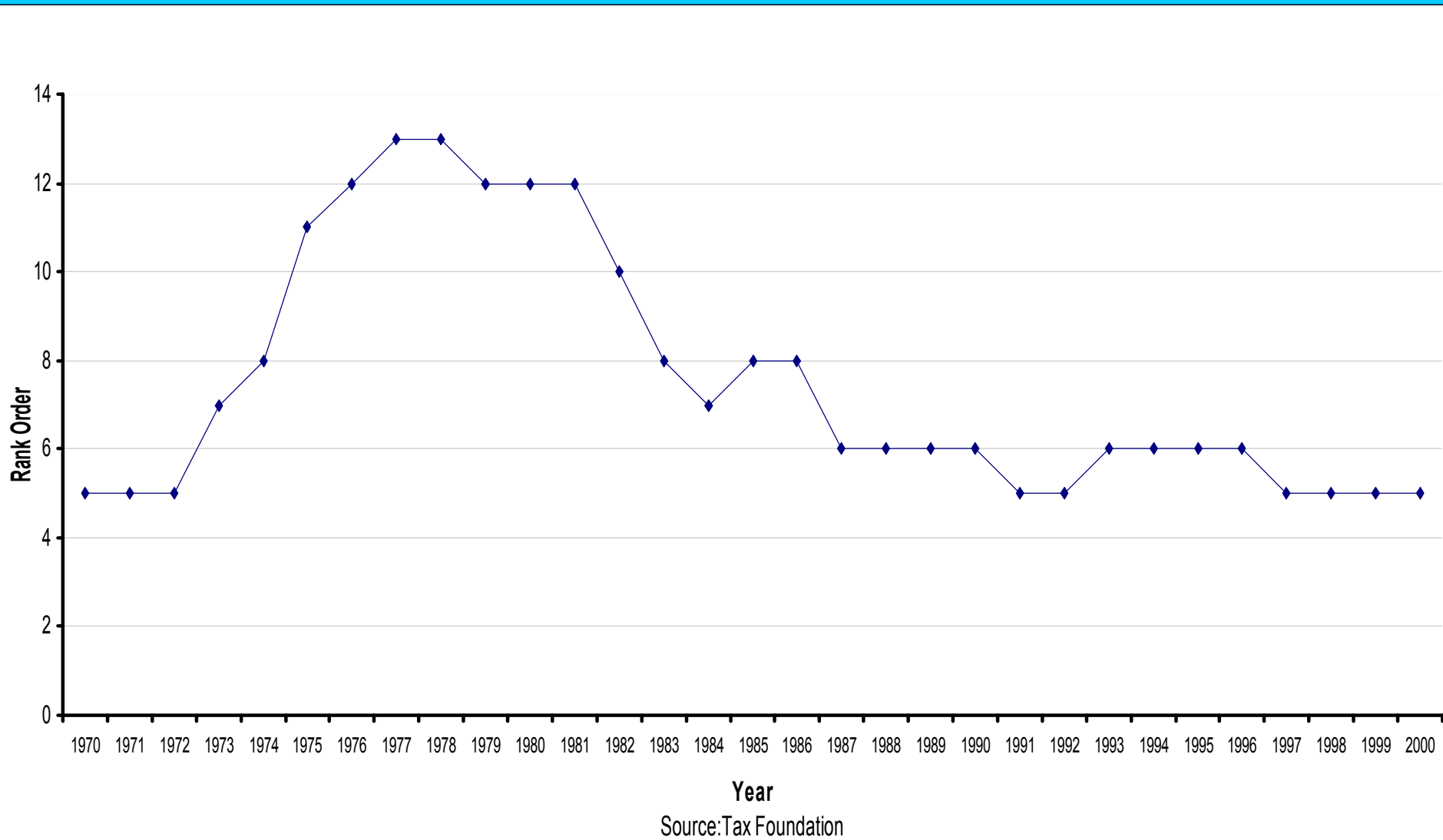
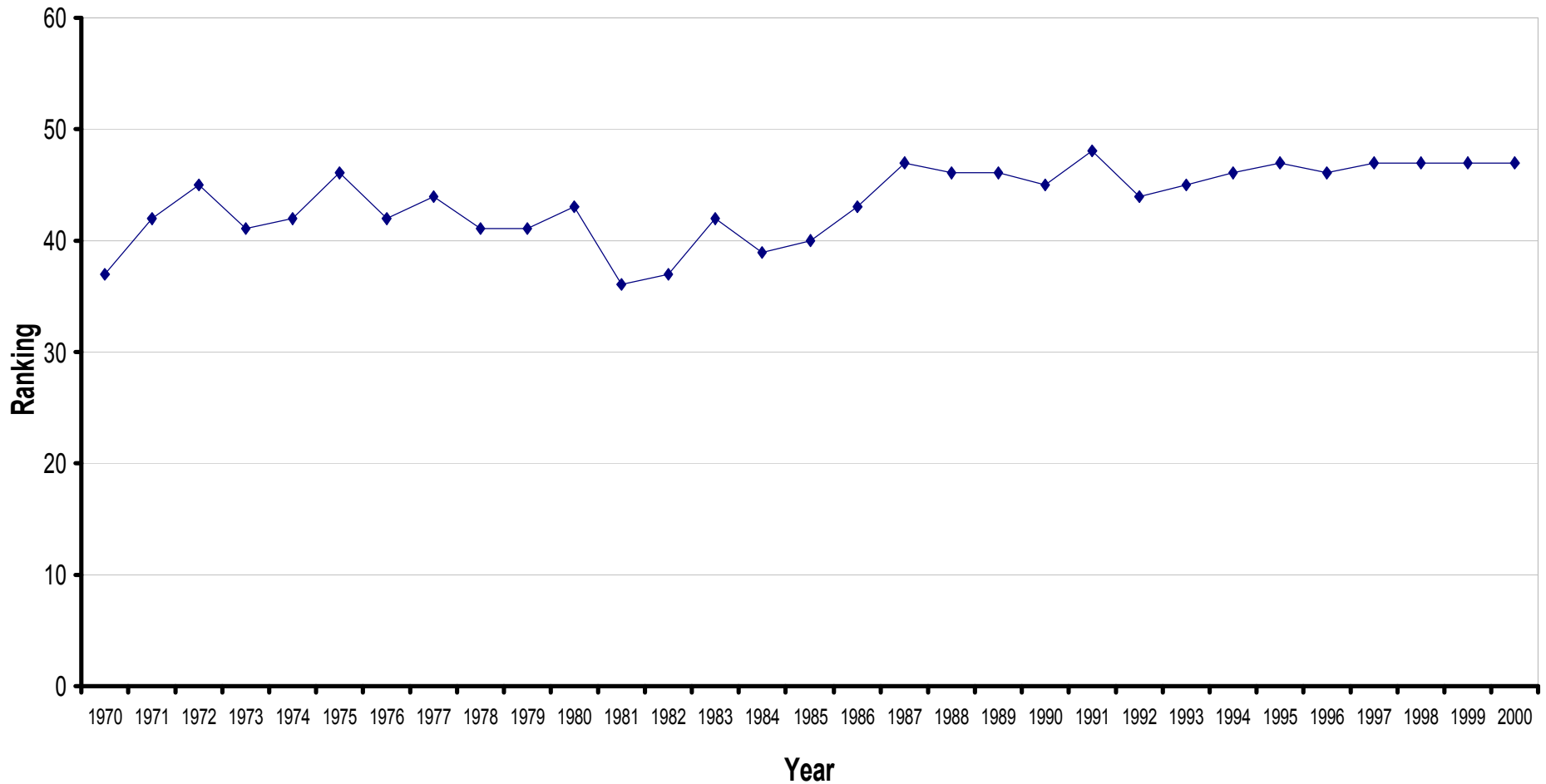


Figure 12
New York Rank
Federal Taxes as % of Income



Source: Tax Foundation

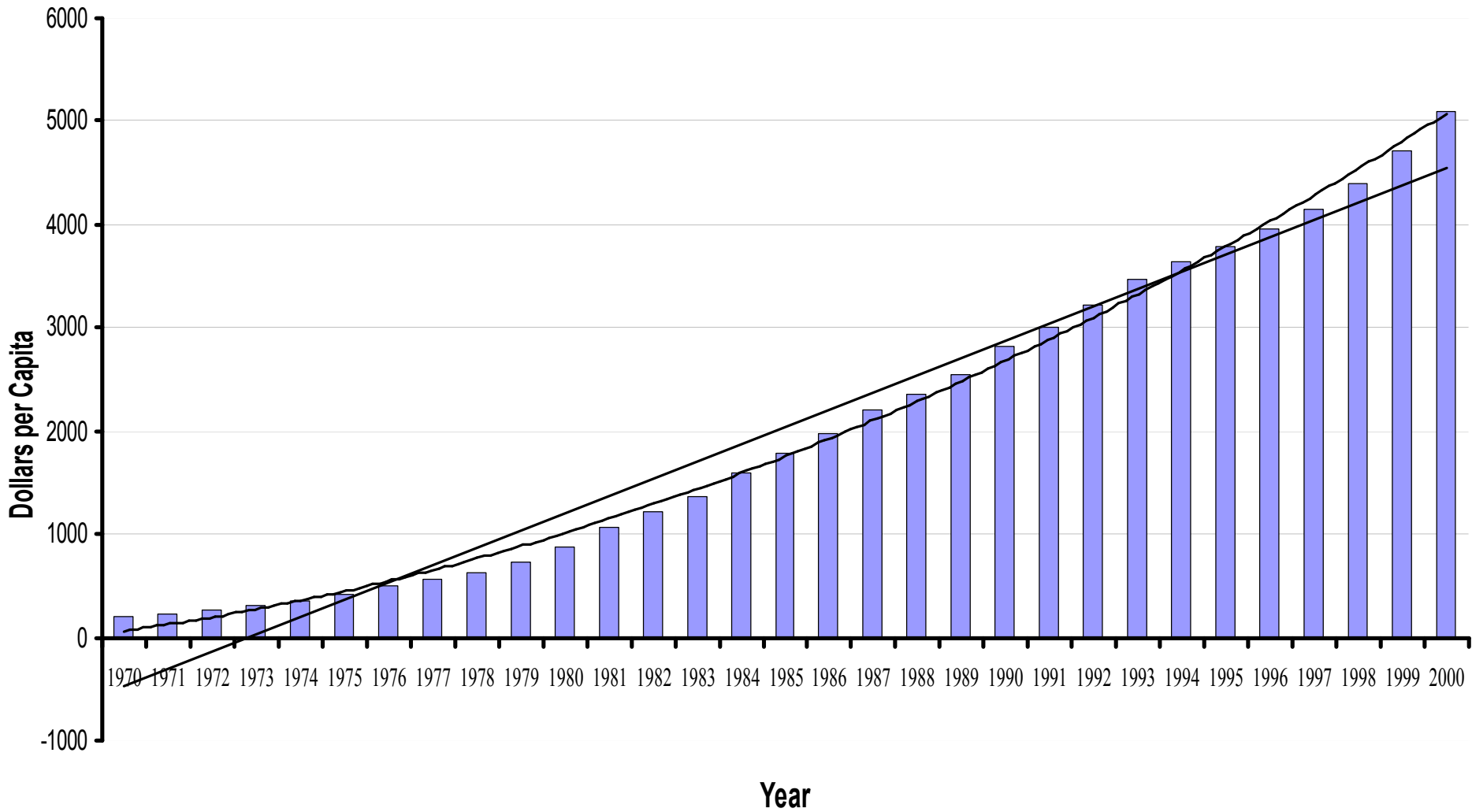
Summary of Federal Tax Burden per Capita

- Federal taxes per Capita paid by New Yorkers has increased quadratically.
- There has been a 30-fold increase over the 3 decades.
- The differential paid by New Yorkers vs. the nation as a whole has grown 17.5-fold, from a difference of \$59 to \$1620.
- New York has consistently ranked 5th in the nation throughout the 1990s.

Summary of Federal Tax Burden as Percent of Income

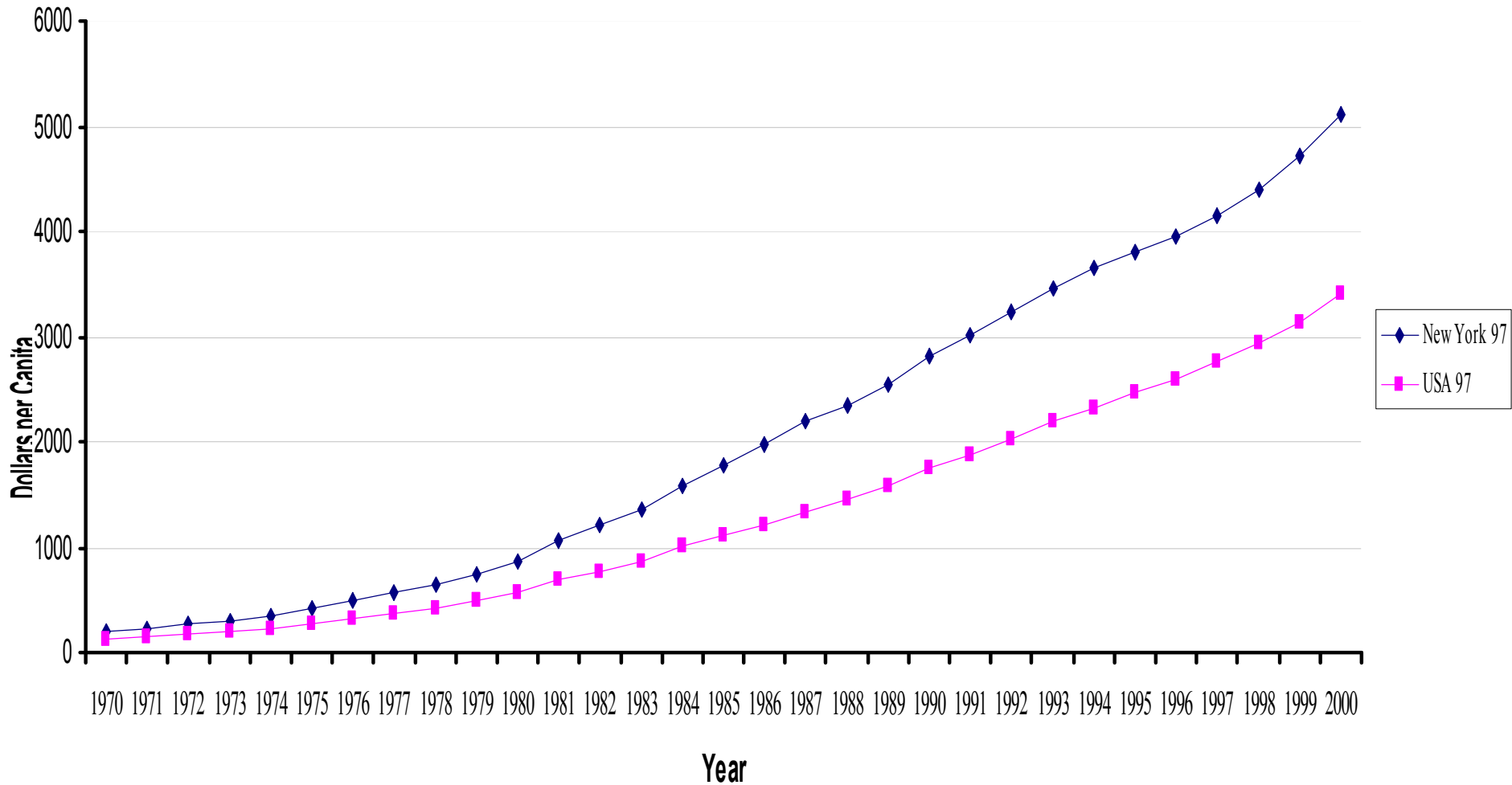
- Federal taxes as a percent of income has oscillated over the past 30 years but there is a slight increasing secular trend.
- Federal taxes paid by New Yorkers, though slightly higher, has consistently tracked those paid by citizens and corporations throughout the nation.
- New York's rank on federal tax burden as percent of income has improved from 36th in the nation to a rank of 46 or 47 during the 1990s.

Figure 7
New York State
State and Local Taxes per Capita in Real Dollars



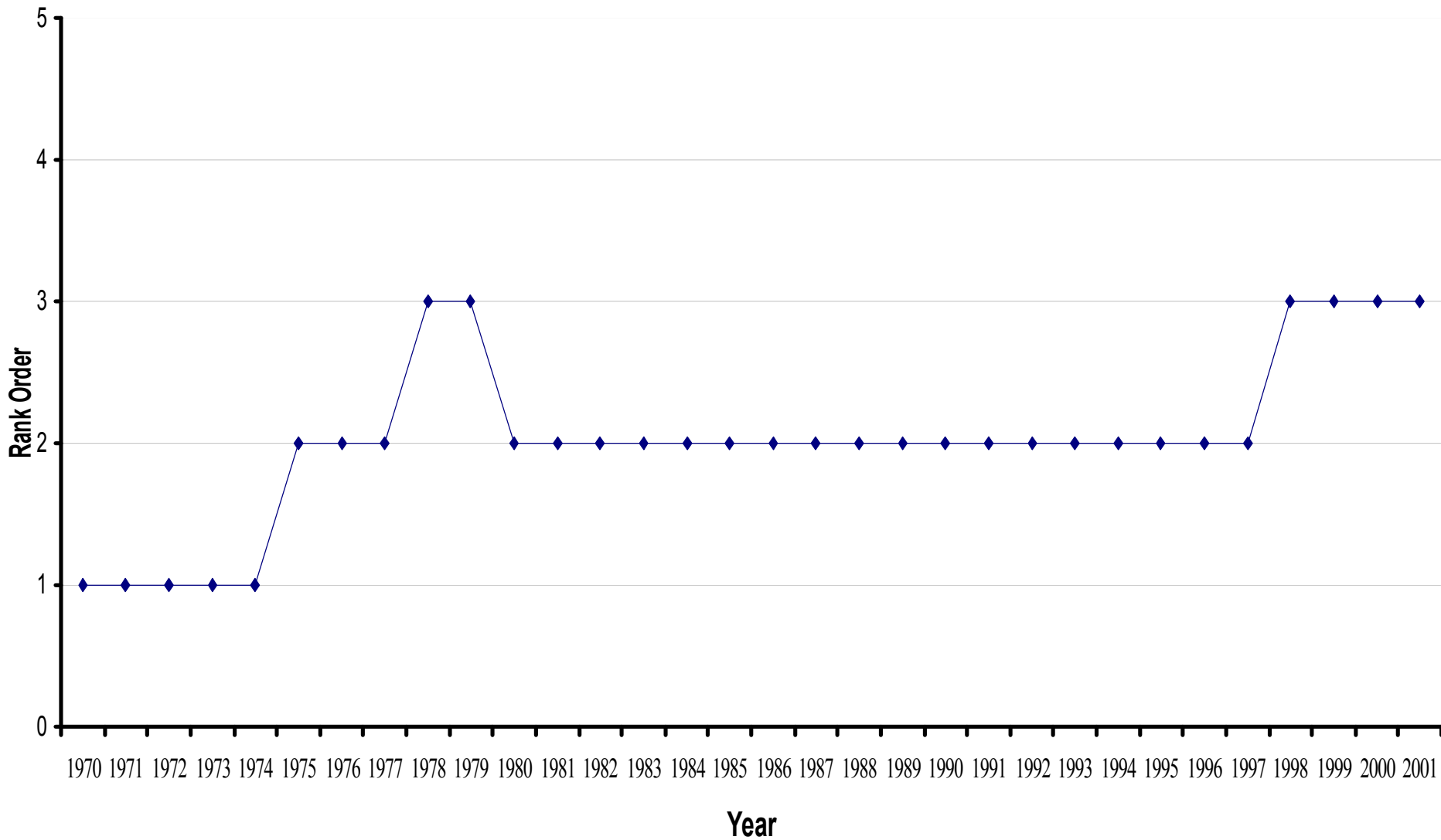
Source: Tax Foundation

Figure 8
New York vs USA
State and Local Taxes per Capita in Real Dollars



Source: Tax Foundation

Figure 9
New York State and Local Taxes Rank Order

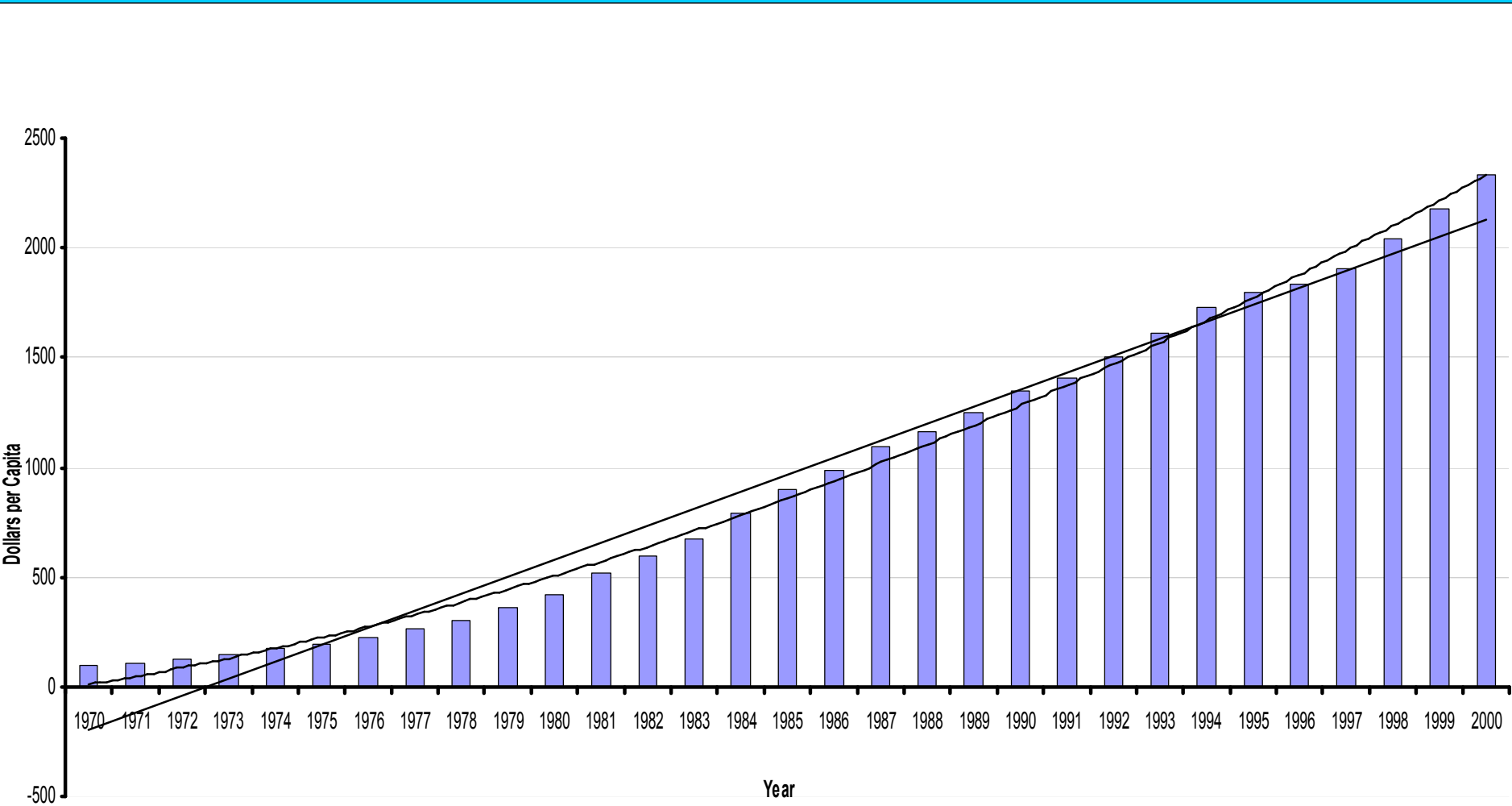


Source: Tax Foundation

Summary of State and Local Combined Tax Burden

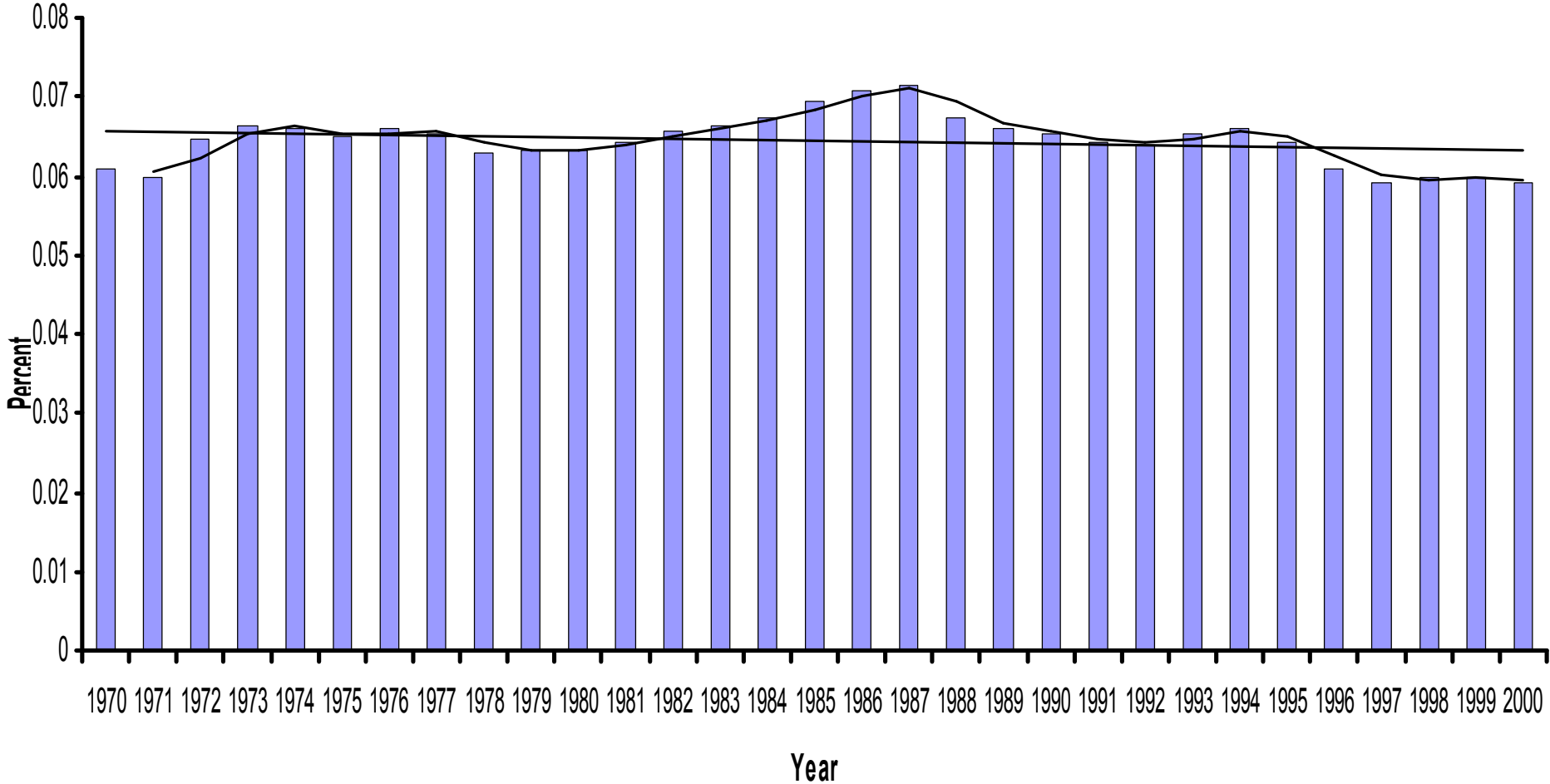
- Like for total taxes and federal taxes, the combined state and local tax burden has increased in a quadratic form.
- Compared to the nation as a whole, the differential paid by New Yorkers has grown 26.5-fold from \$64 in 1970 to \$1699 by 2000.
- New York has ranked either 2nd or 3rd in the nation for the last two decades.

Figure 13
New York State
State Taxes per Capita in Real Dollars



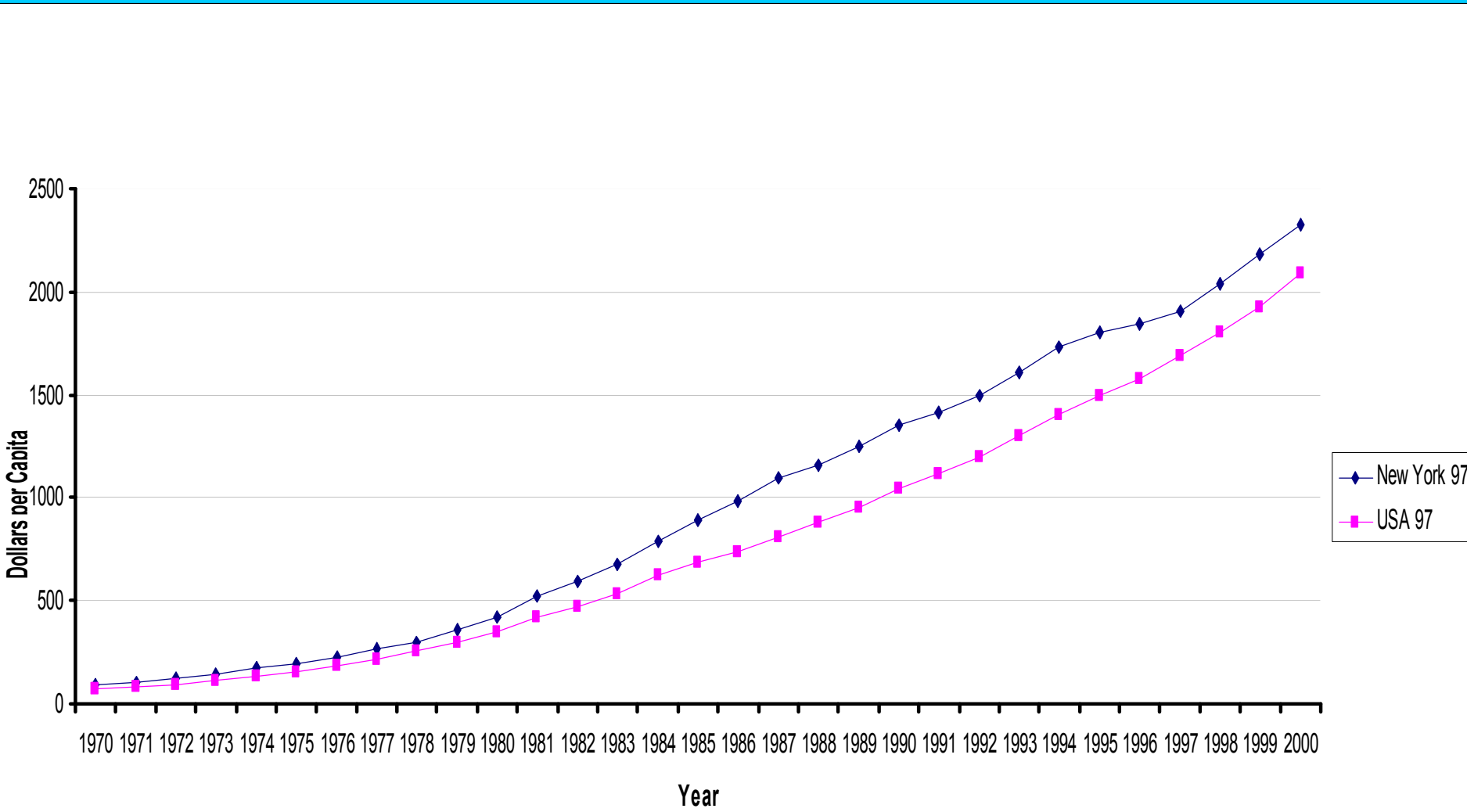
Source: Tax Foundation

Figure 14
New York State
State Taxes as % of Income (NNP)



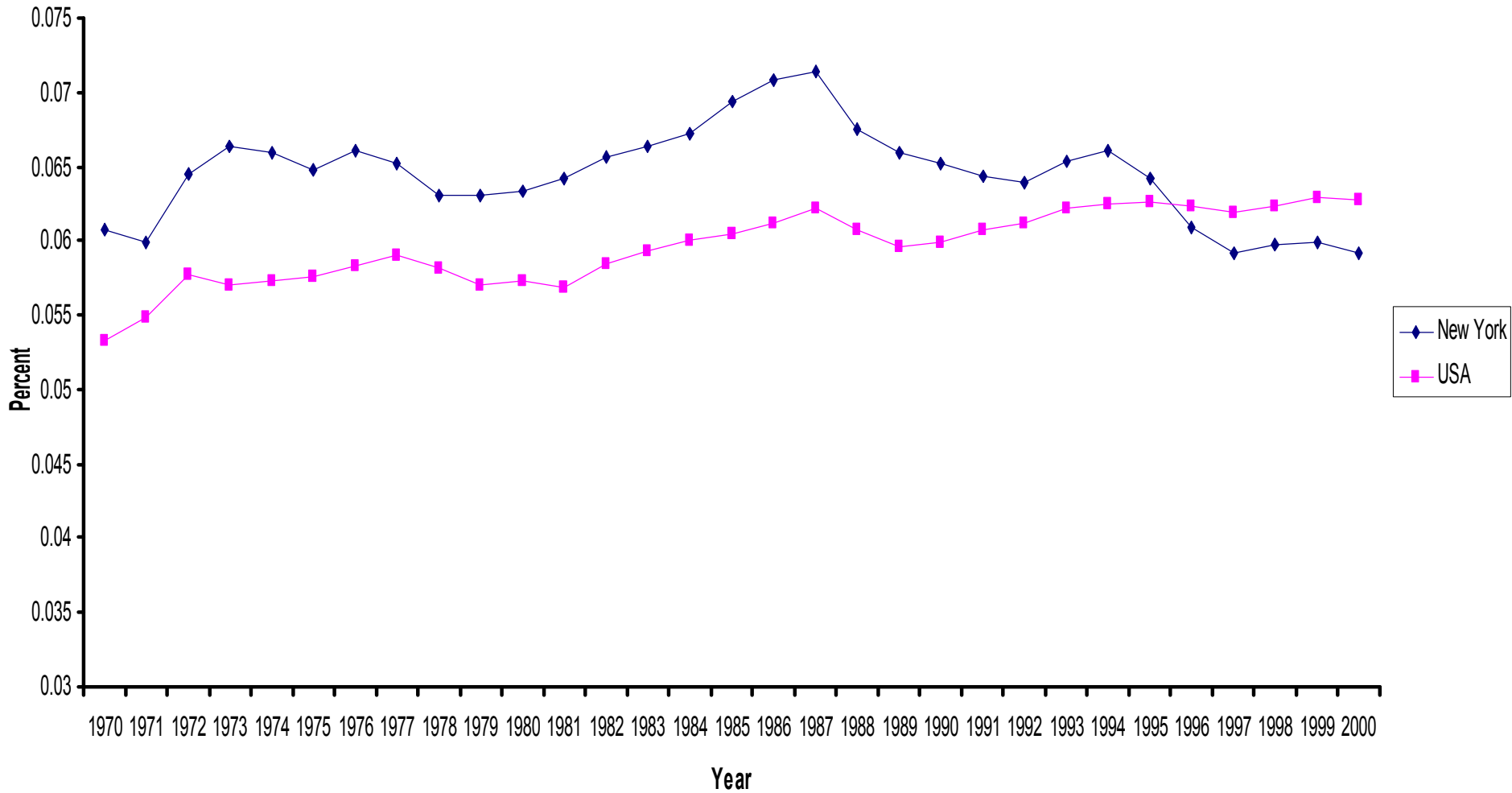
Source: Tax Foundation

Figure 15
New York vs. the Nation
State Taxes per Capita in Real Dollars



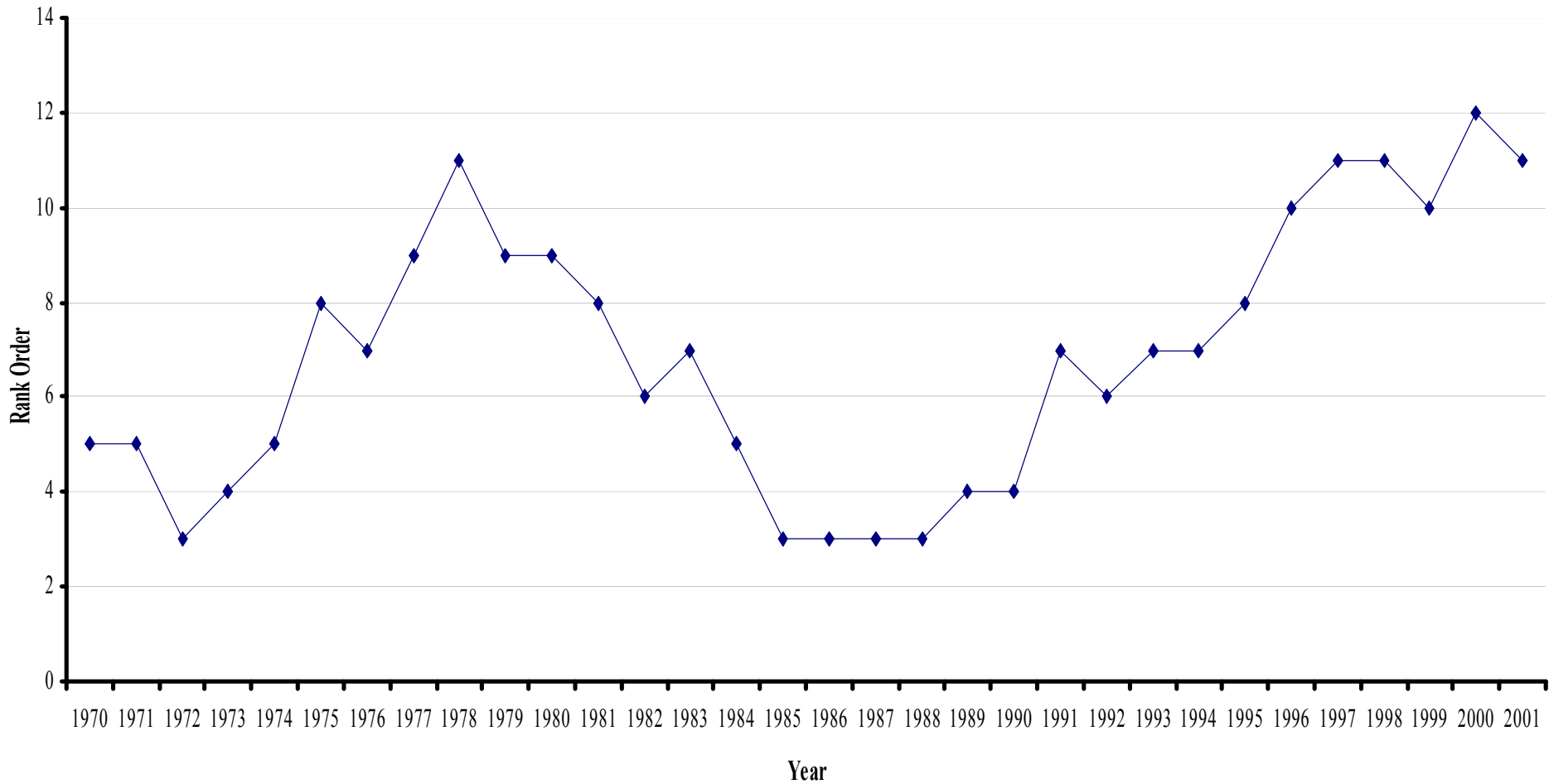
Source: Tax Foundation

Figure 16
New York vs. the Nation
State Taxes as % of Income (NNP)



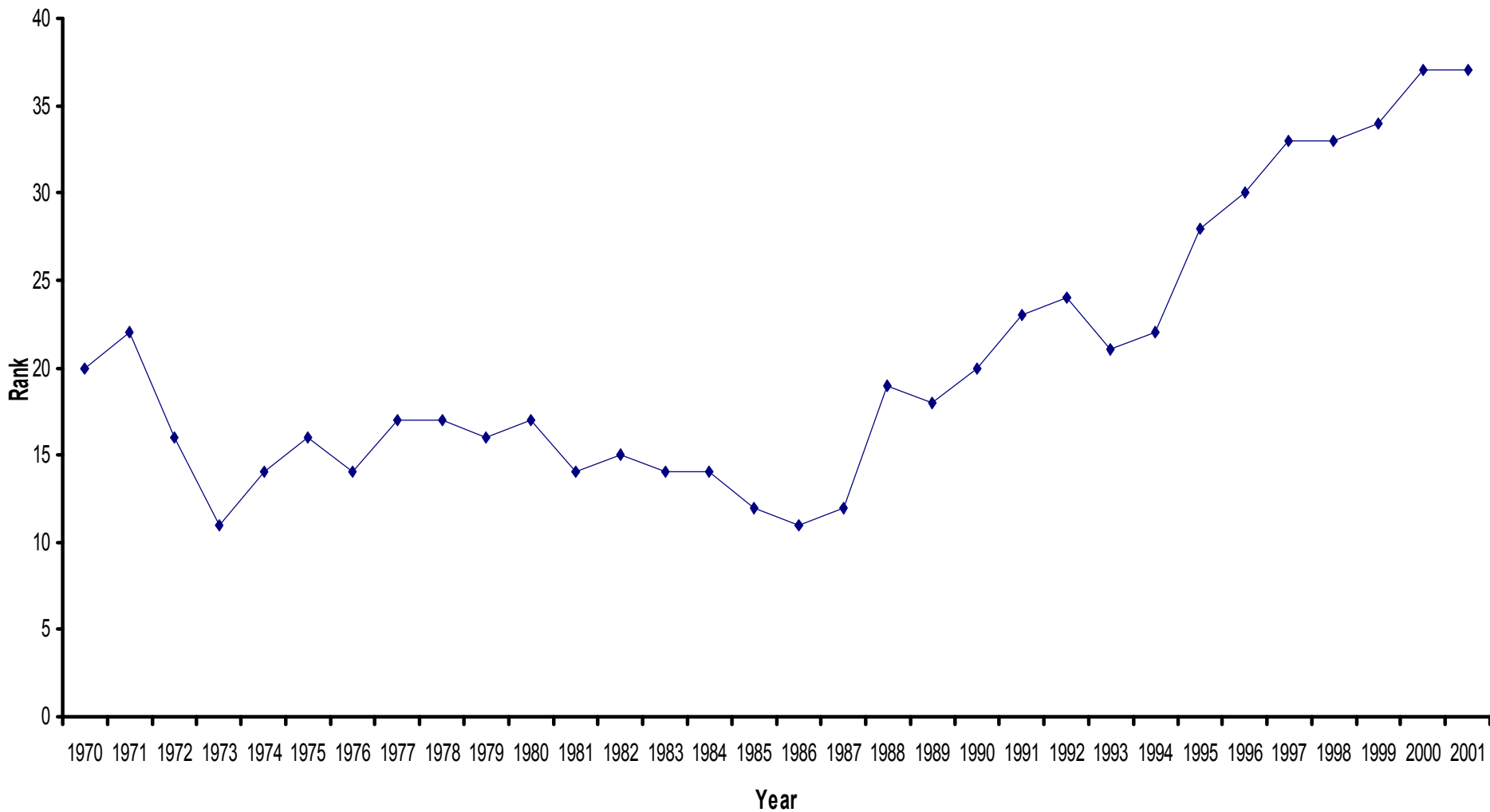
Source: Tax Foundation

Figure 17
New York Rank
State Taxes per Capita



Source: Tax Foundation

Figure 18
New York Rank
State Taxes as % of Income



Source: Tax Foundation

Summary of State Tax Burden per Capita

- State taxes paid by New Yorkers on a per capita basis has grown quadratically is a 24.5-fold increase.
- On the other hand, compared to all states combined, New York state taxes per capita tracks the nation as a whole fairly well.
- Moreover, the differential was only a 9-fold increase, from \$26 in 1970 to \$242 in 2000.

Summary of State Tax Burden as Percent of Income

Figure 19
New York State
Local Taxes per Capita in Real Dollars

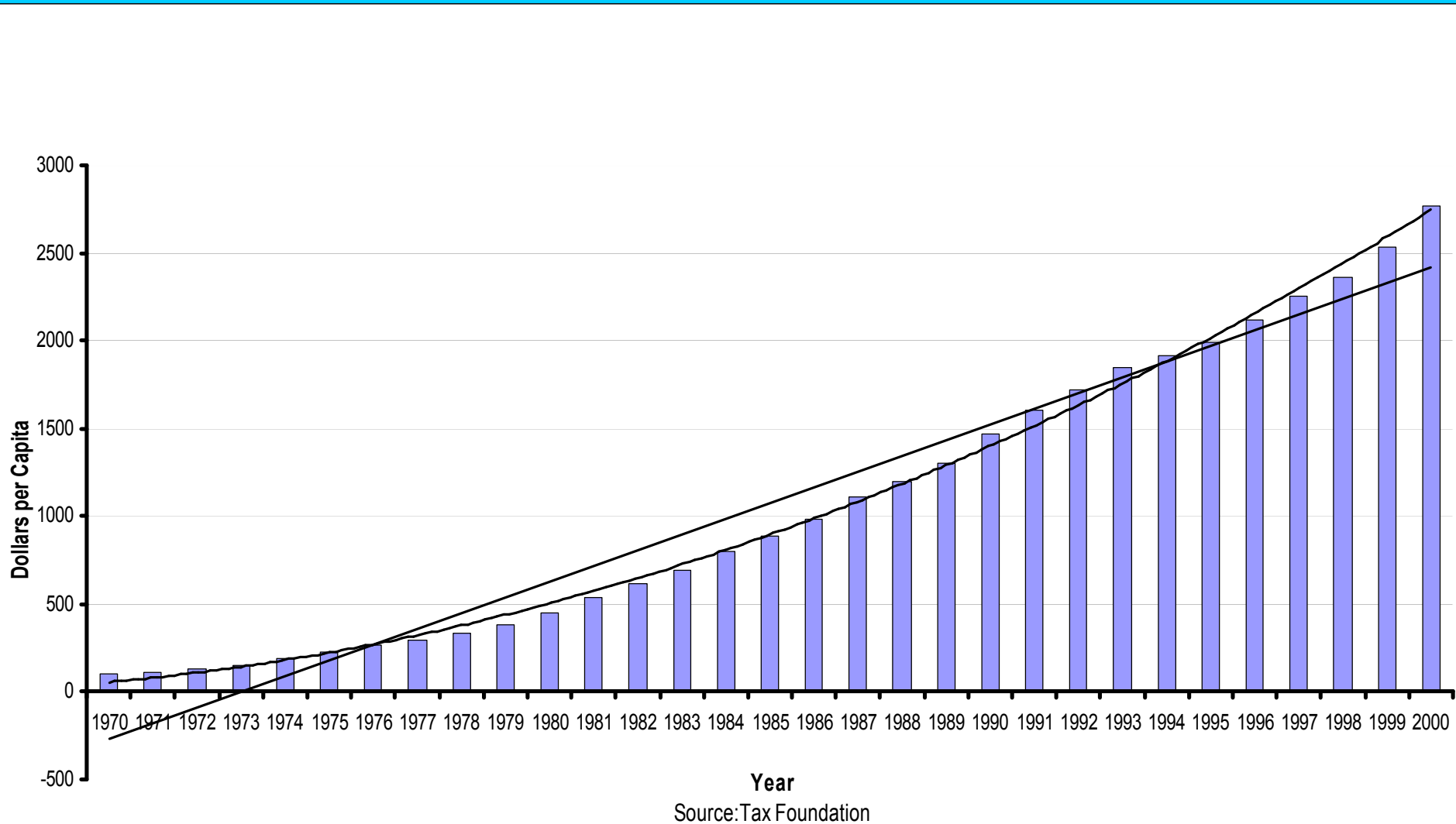
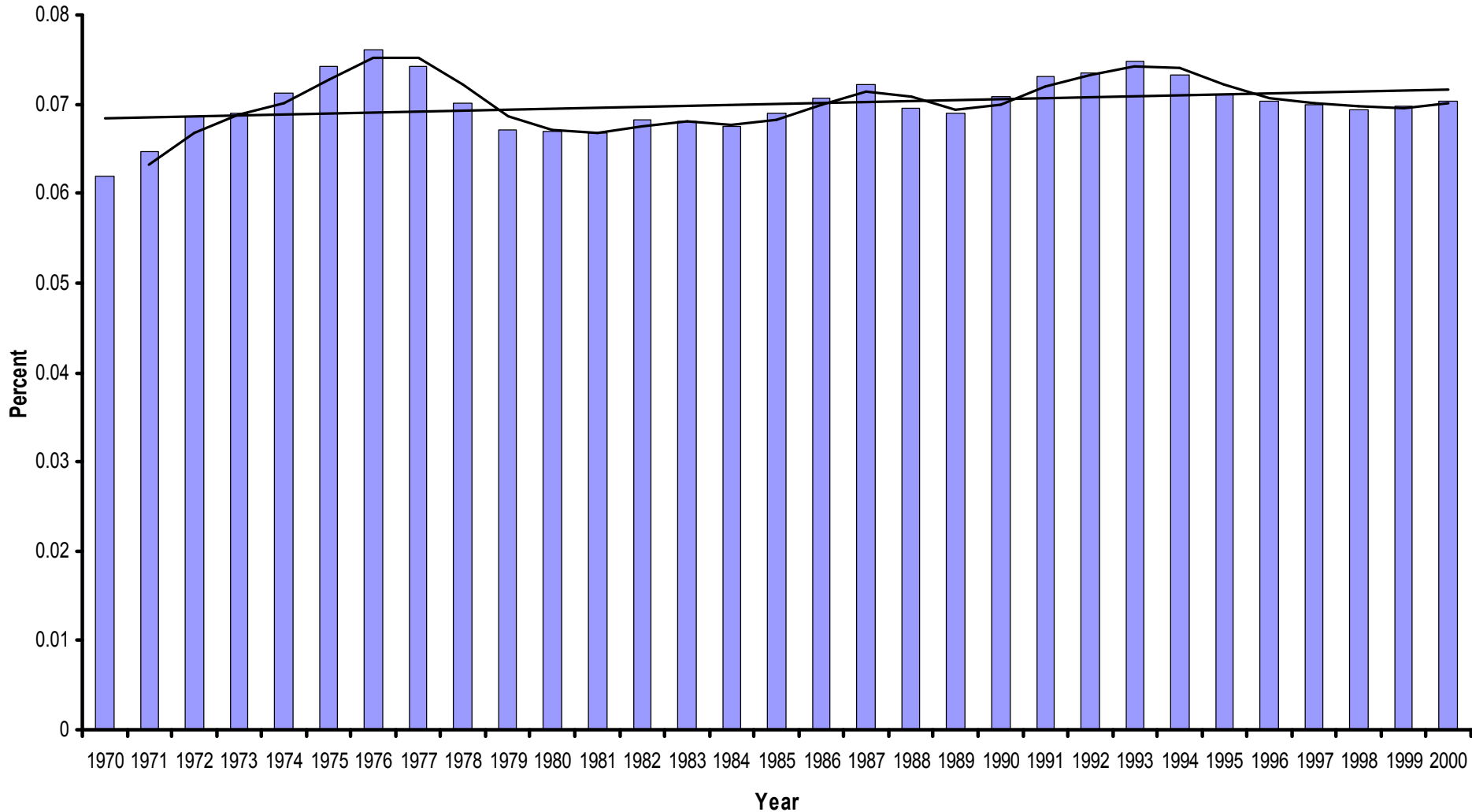
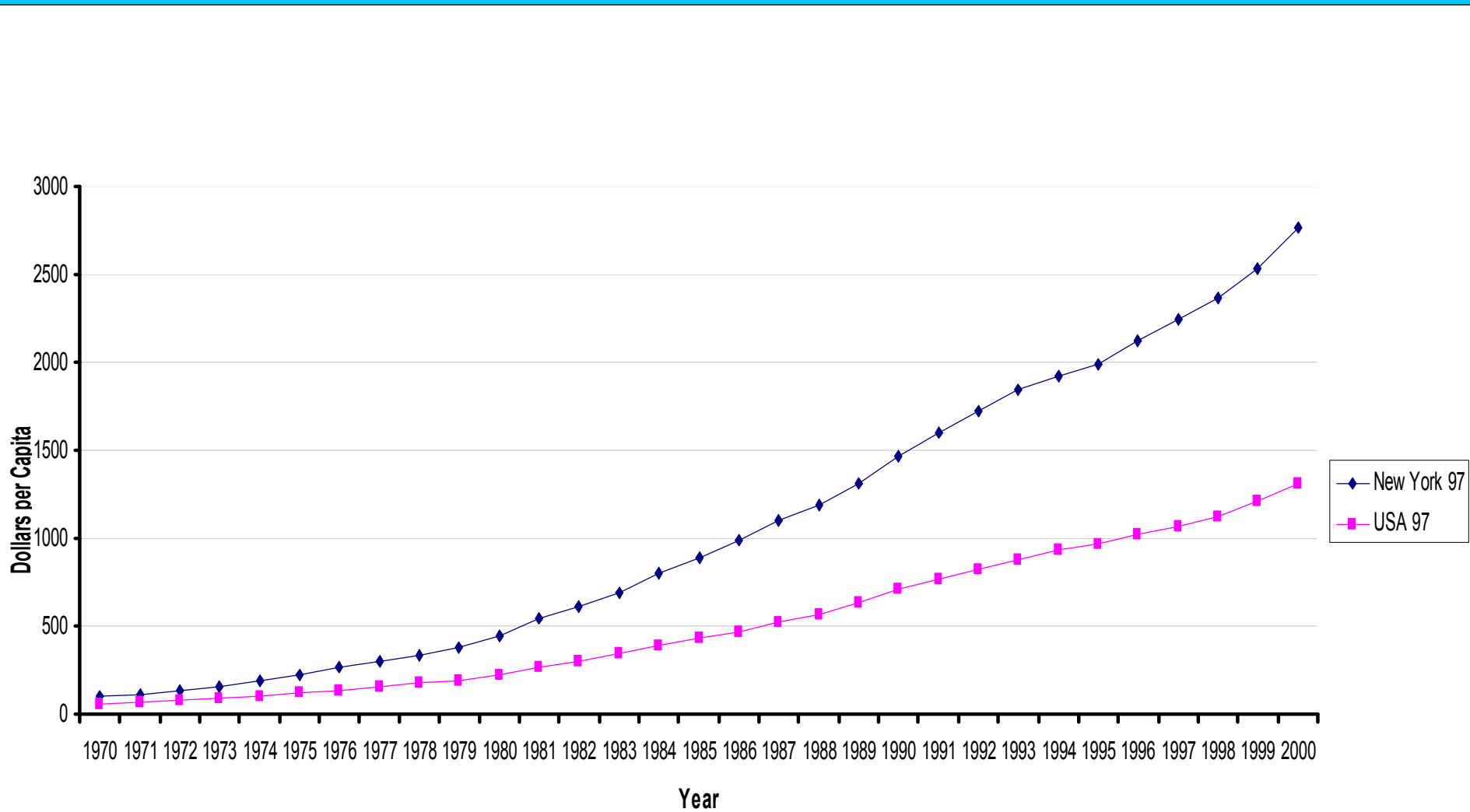


Figure 20
New York State
Local Taxes as % of Income (NNP)



Source: Tax Foundation

Figure 21
New York vs. the Nation
Local Taxes per Capita in Real Dollars

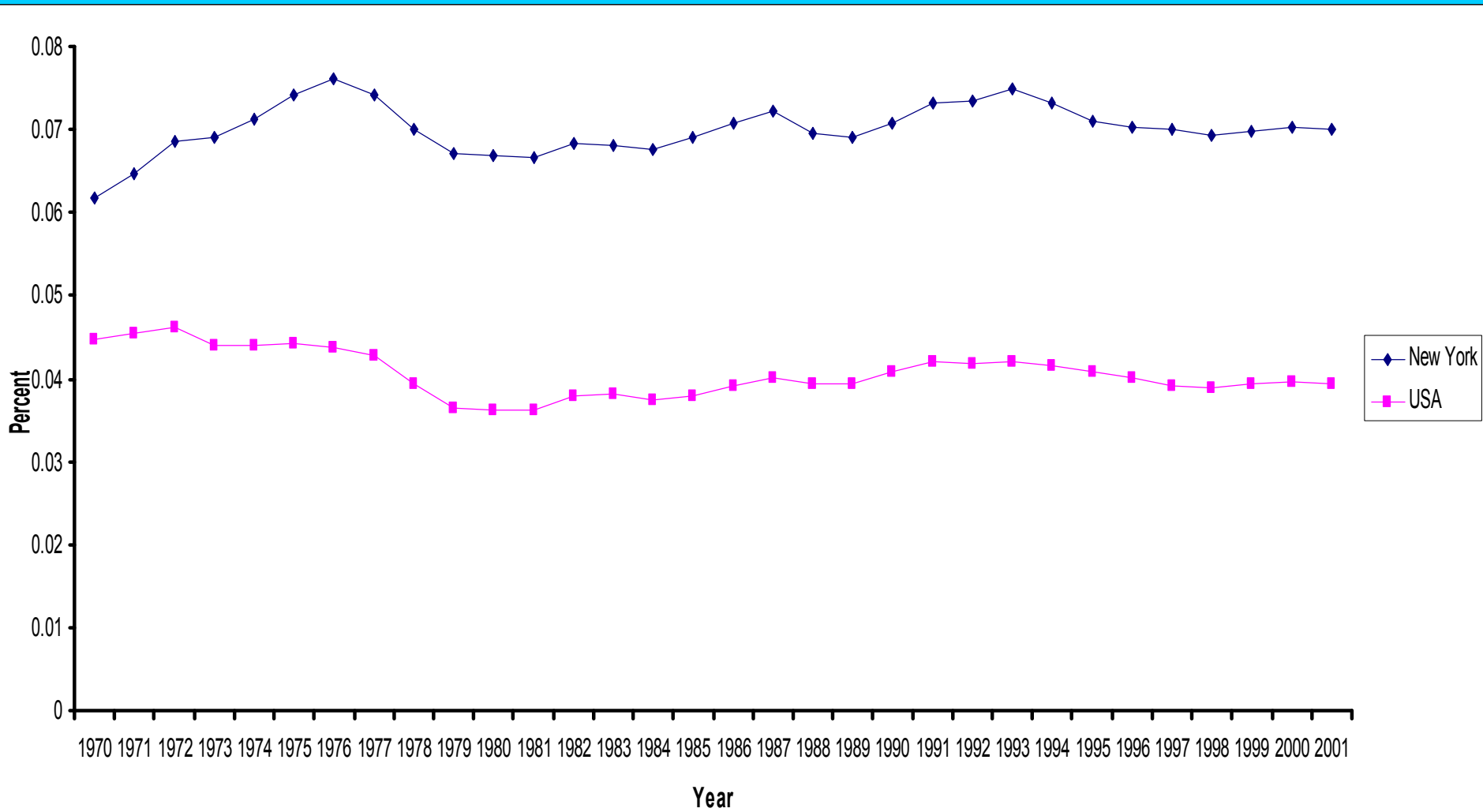


Source: Tax Foundation

Figure 22

New York vs. the Nation

Local Taxes as % of Income (NNP)



Source: Tax Foundation

Figure 23
New York State Rank
Local Taxes per Capita in Real Dollars

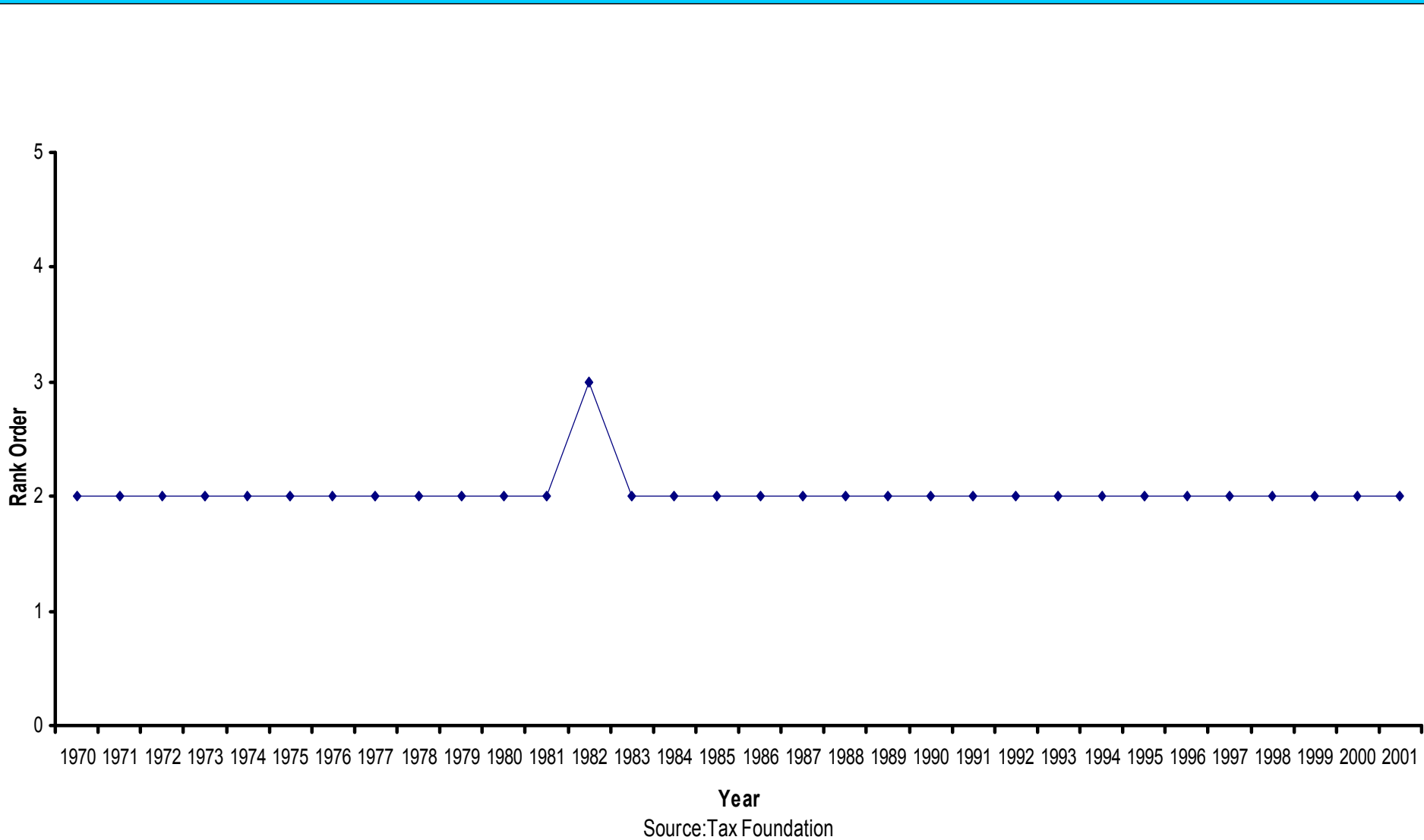
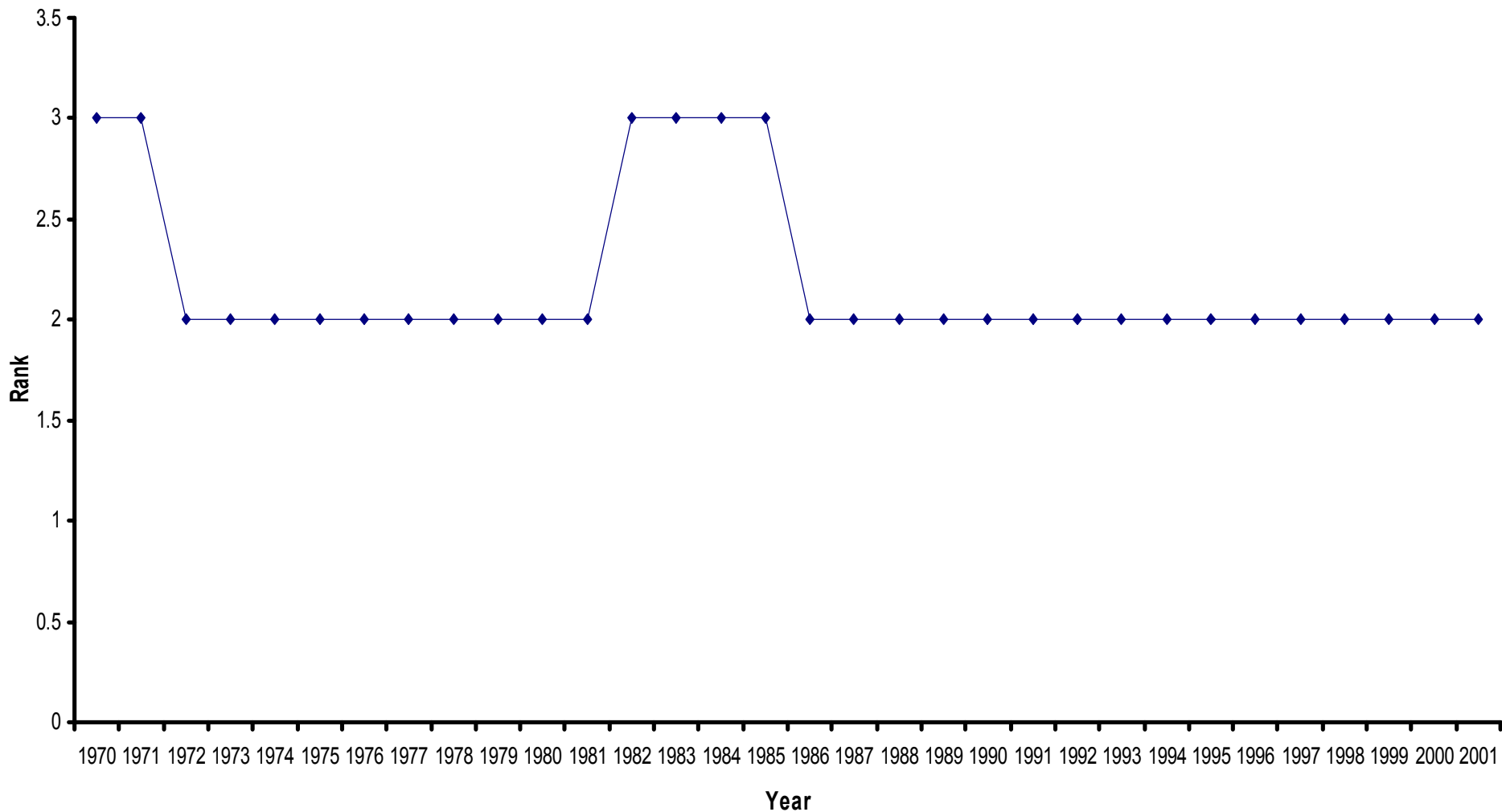


Figure 24
New York State Rank
Local Taxes as % of Income (NNP)



Source: Tax Foundation

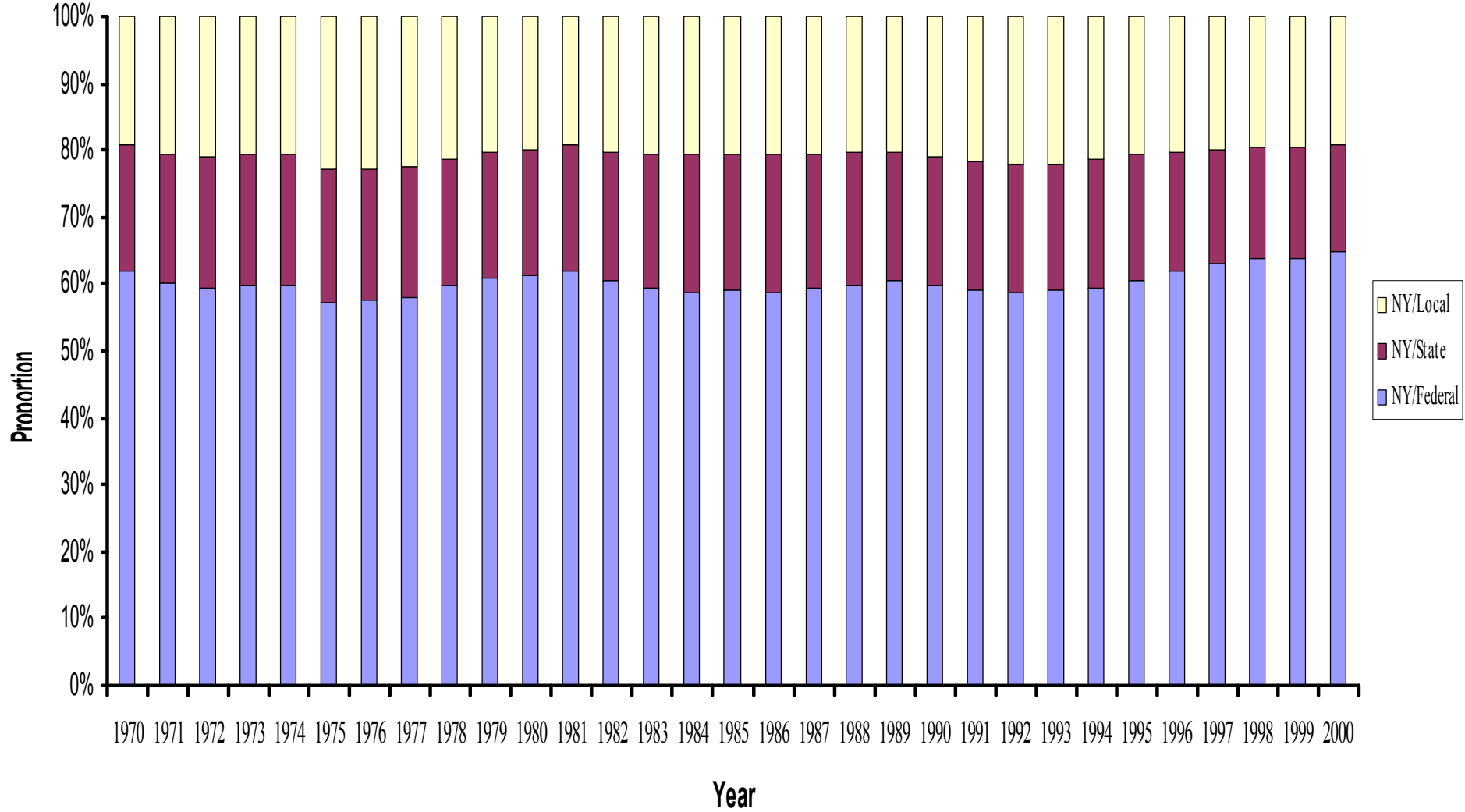
Summary of Local Tax Burden per Capita in Real Dollars

- Local tax burden per capita has increased in real dollars quadratically, a 28.5-fold increase.
- Compared to the nation as a whole, New Yorkers' local tax burden has grown disproportionately larger.
- New York has consistently been ranked 2nd in the nation across the three decades.

Summary of Local Tax Burden as % of Income

- Local tax burden as a percent of income, has been up and down somewhat over the thirty years, oscillating around 7 %, but the secular trend is flat as a percent of income.
- Compared to the nation, New Yorker's local taxes as a % of income has been about 3% higher than for the nation as a whole.
- New York has consistently ranked 2nd in the nation since the late 1980s.

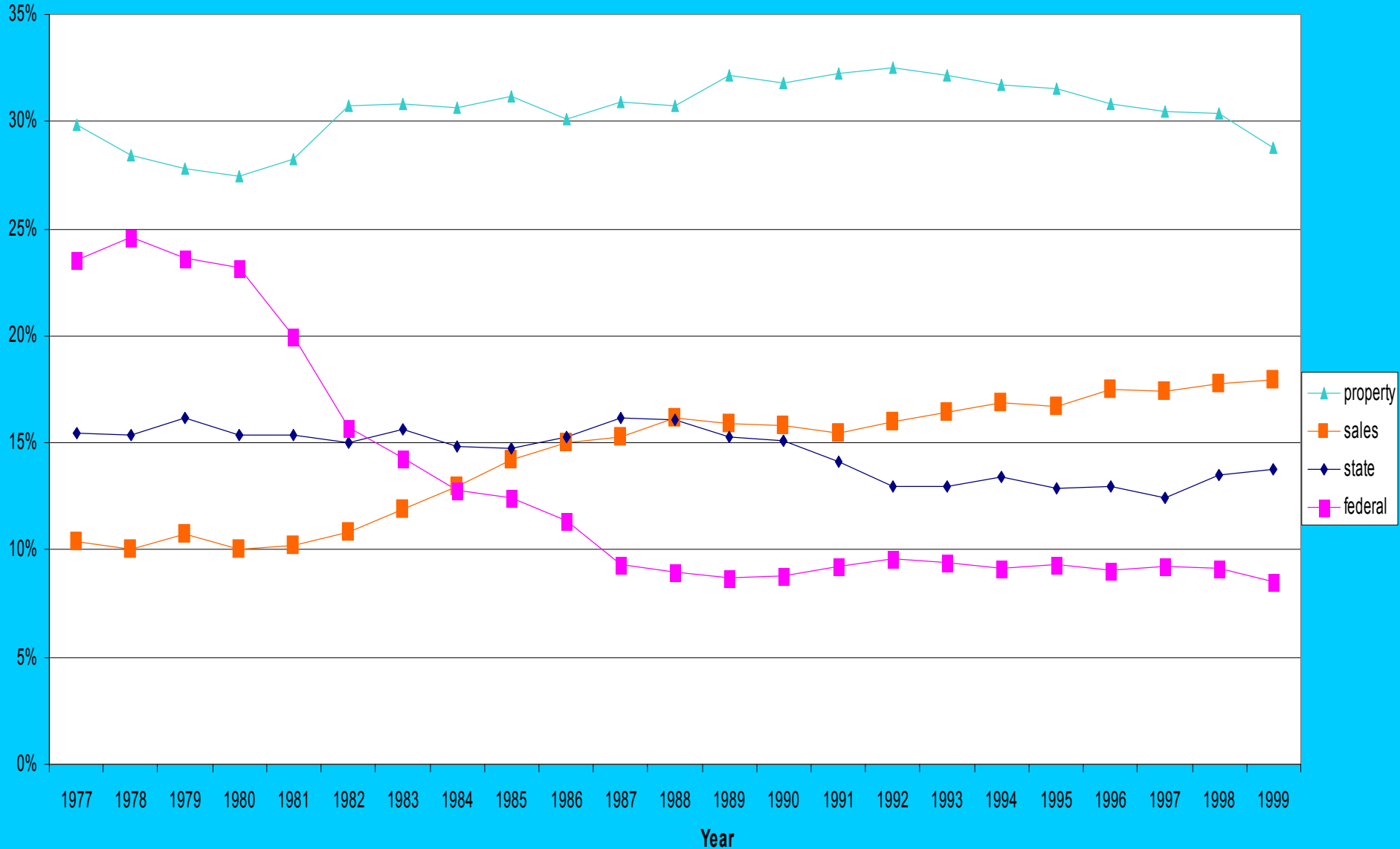
Figure 16
New York State
Taxes Burden by Levels



Local Fiscal Stress

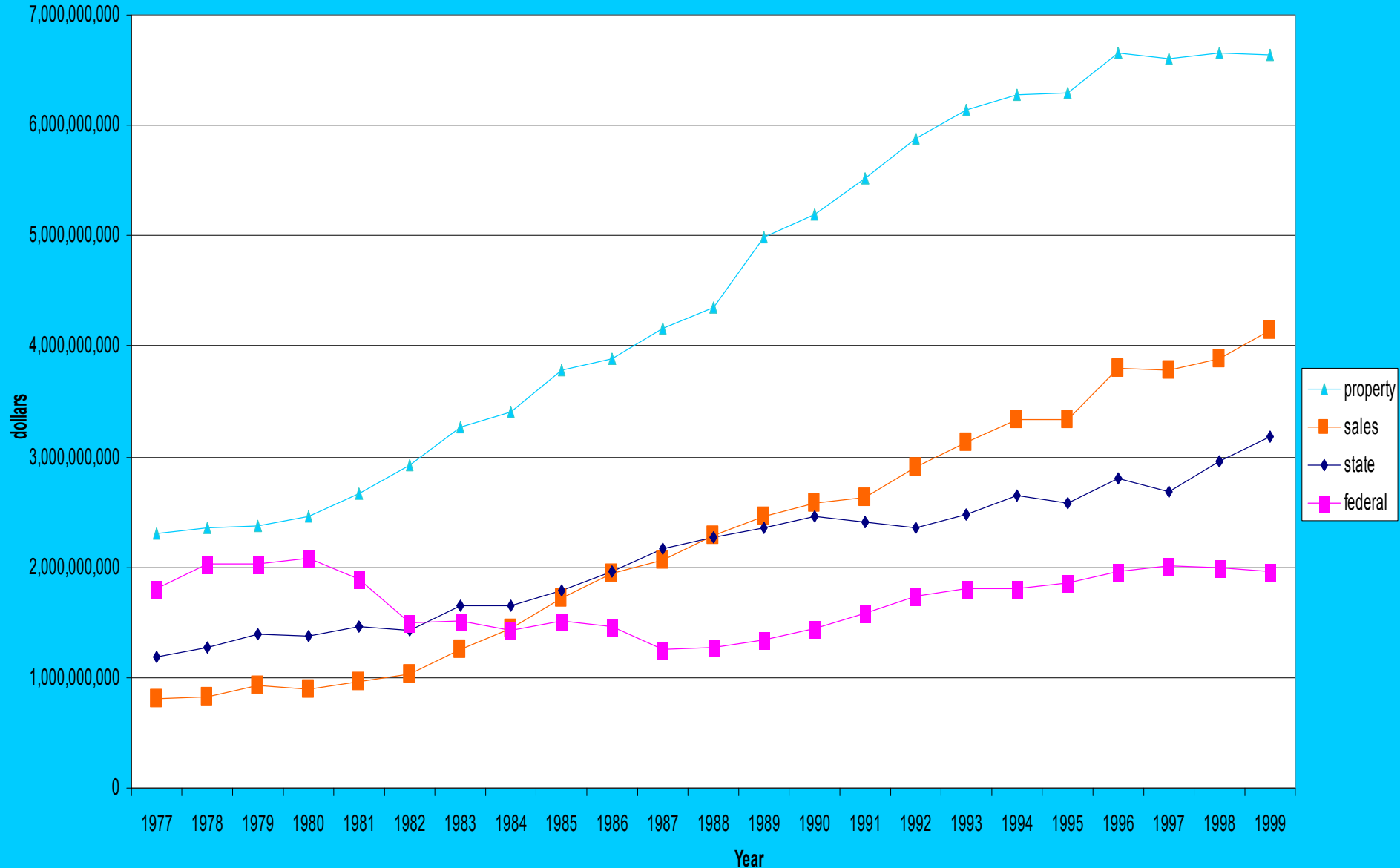
- As the previous set of results show, within the state, local income tax burden is much higher than for the nation as a whole.
- In part this is a function of more levels of active governmental units in New York and greater service provision compared to other states.
- Next we consider their condition.

Figure 17
General Purpose Local Government Revenue Shares
From State and Federal Aid, Sales and Property Taxes



Source: NYS Audit and Control

Figure 18
General Purpose Local Government Revenue
From State and Federal Aid, Sales and Property Taxes



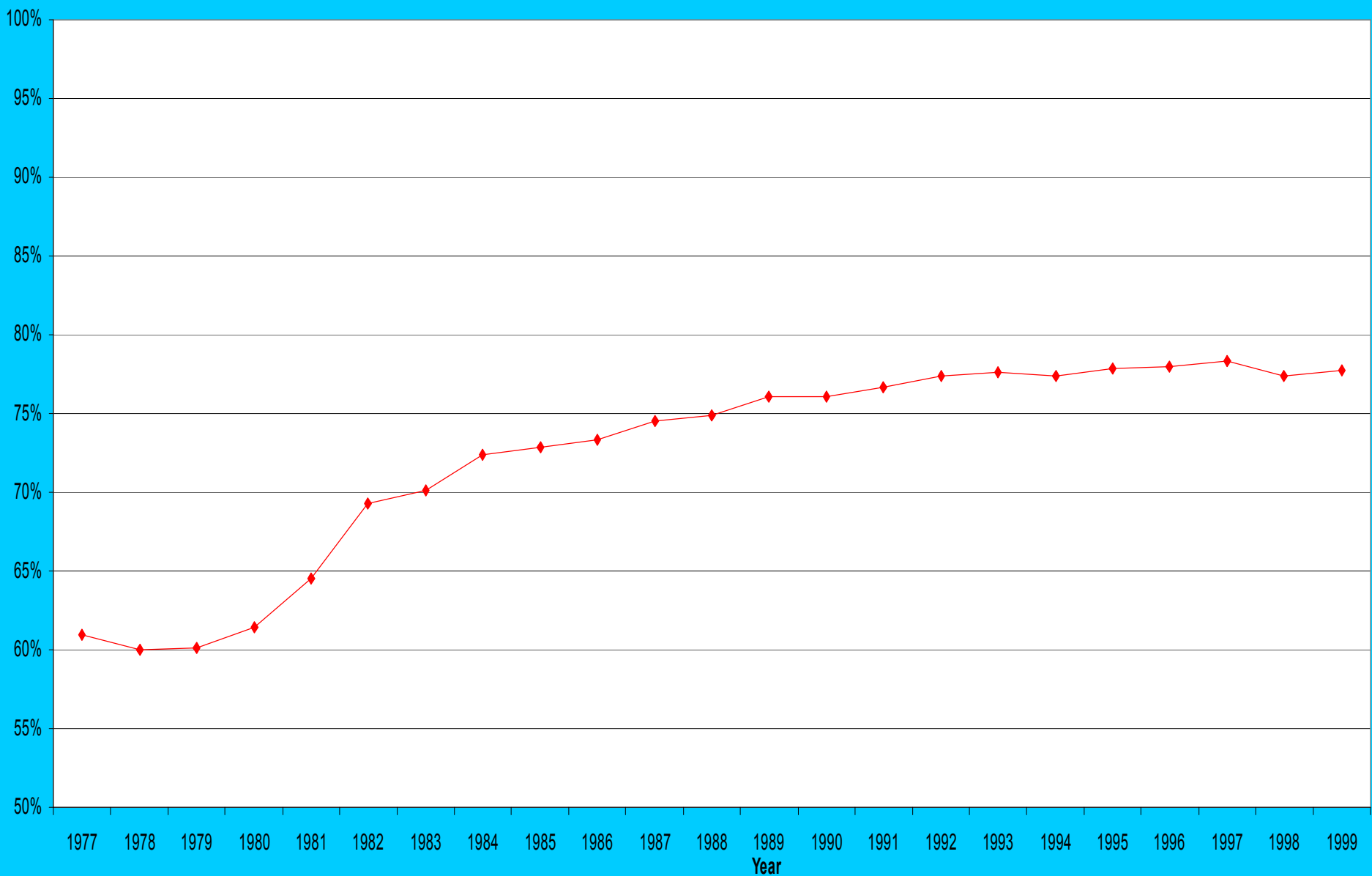
Source: NYS Audit and Control

Local Government Sources of Revenue

- Property taxes most important source.
- Sales taxes have become increasingly important source.
- Federal aid has become decreasingly important, with most dramatic shift in 1980s.

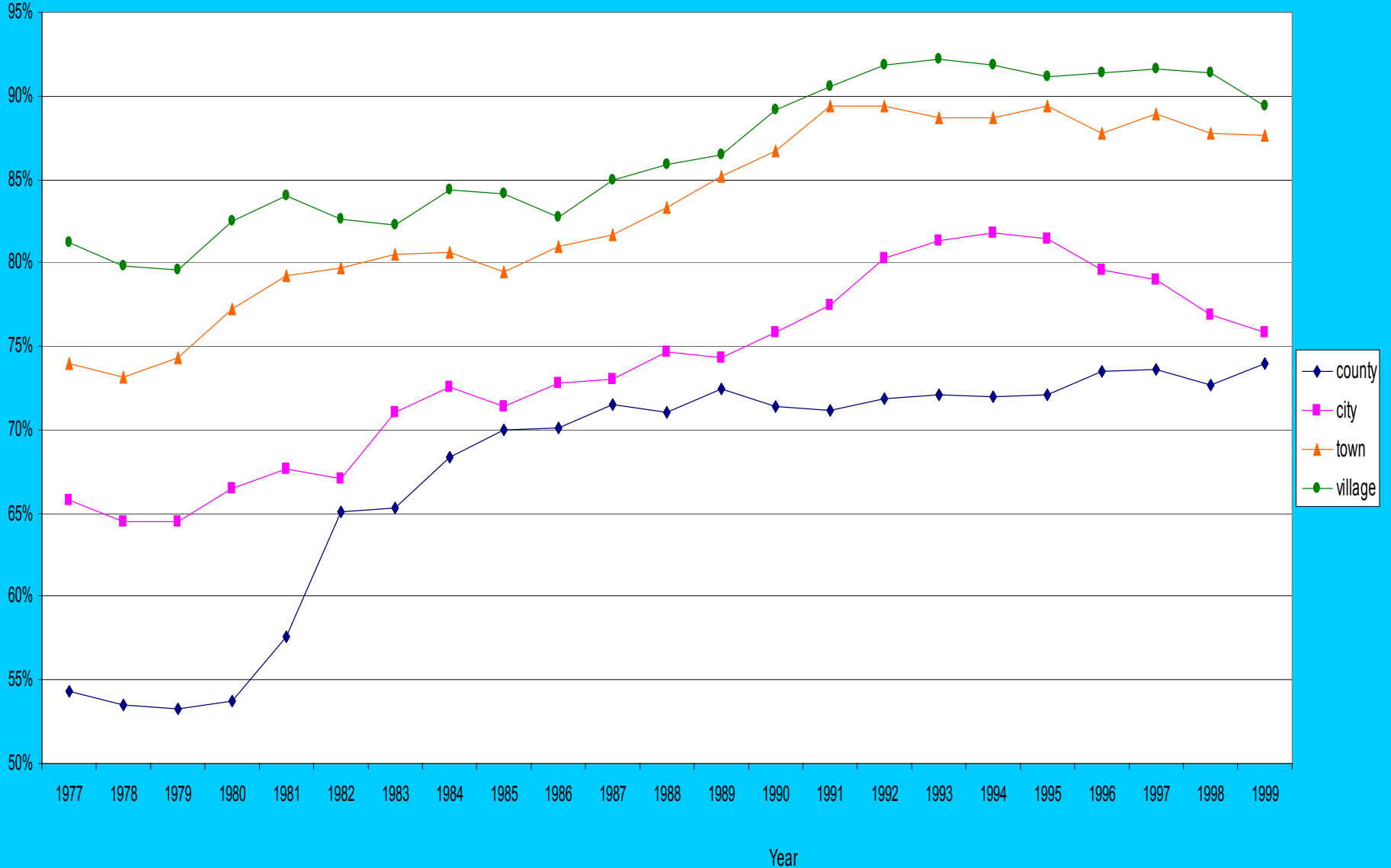
Figure 19

Locally Raised Revenues as a Percent of All Revenues to General Purpose NYS Local Government (Cities, Counties, Towns, Villages)



Source: NYS Audit and Control

Local Revenues as Share of Total Revenue

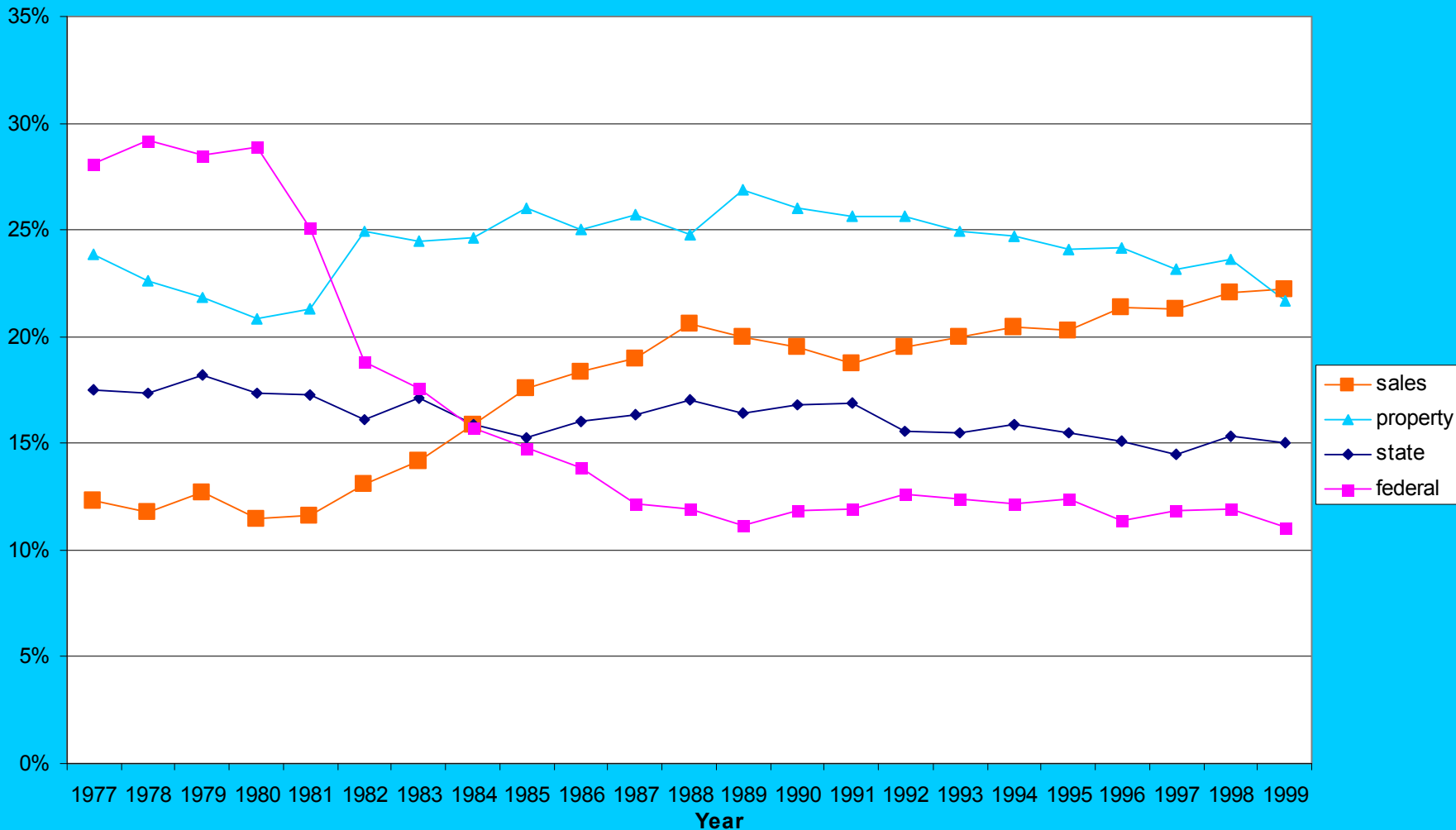


Source: NYS Audit and Control

Patterns of Revenues

- All municipal types were affected by devolution, with cities and counties hardest hit.
- City dependence on local revenues peaked in 1994, declining significantly thereafter.
- Town and village government now gets little state and federal aid.

Figure 20
State and Federal Revenue Transfers, Property and Sales Taxes,
as Percent of All Revenues, All Counties (exc. NYC)



Source: NYS Audit and Control

Figure 21
State and Federal Aid, Sales and Property Tax as Percent of Total Revenues,
Cities (exc. NYC)

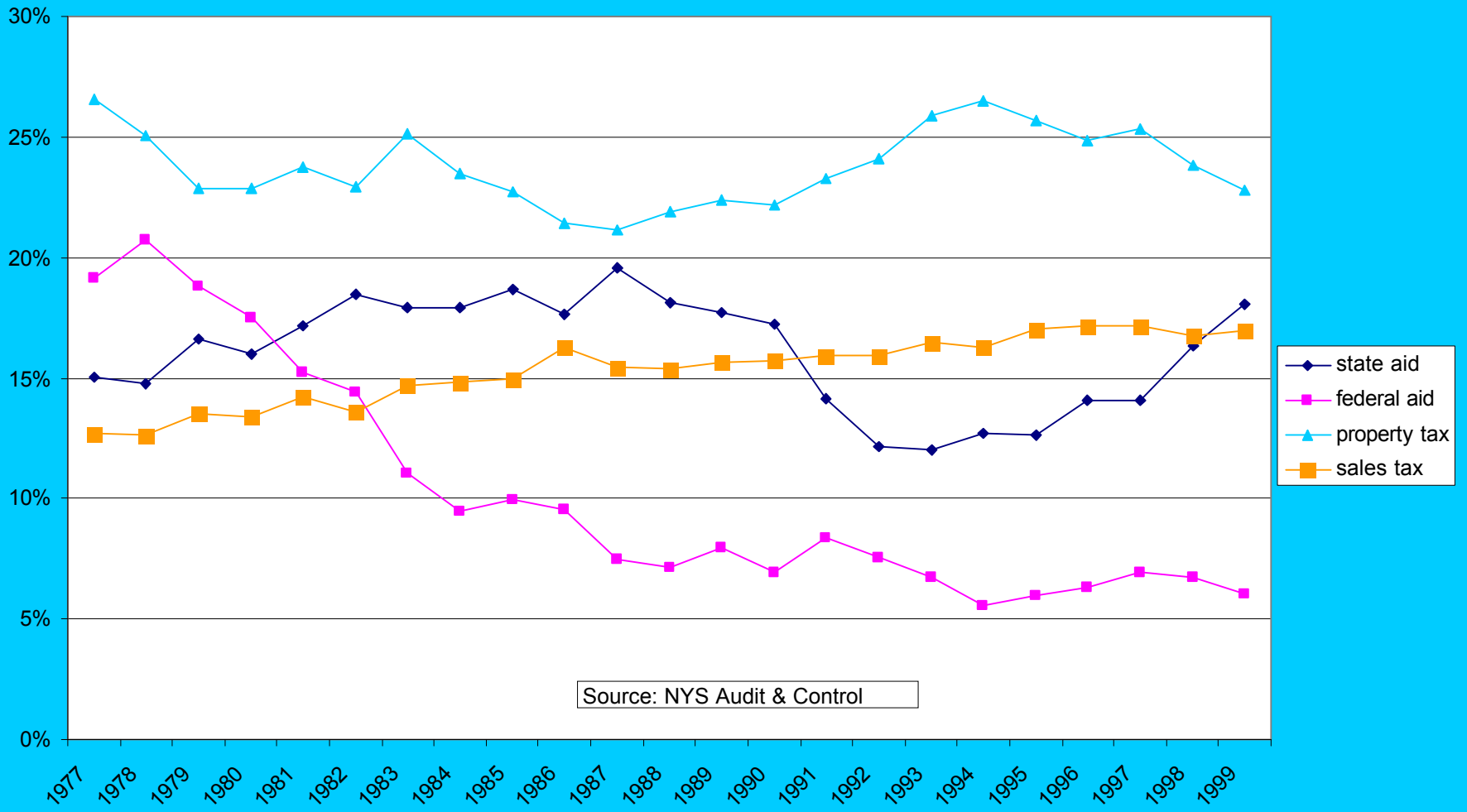


Figure 22
Real Property and Sales Taxes, Federal and State Aid as Percent of all Revenues, NY Towns

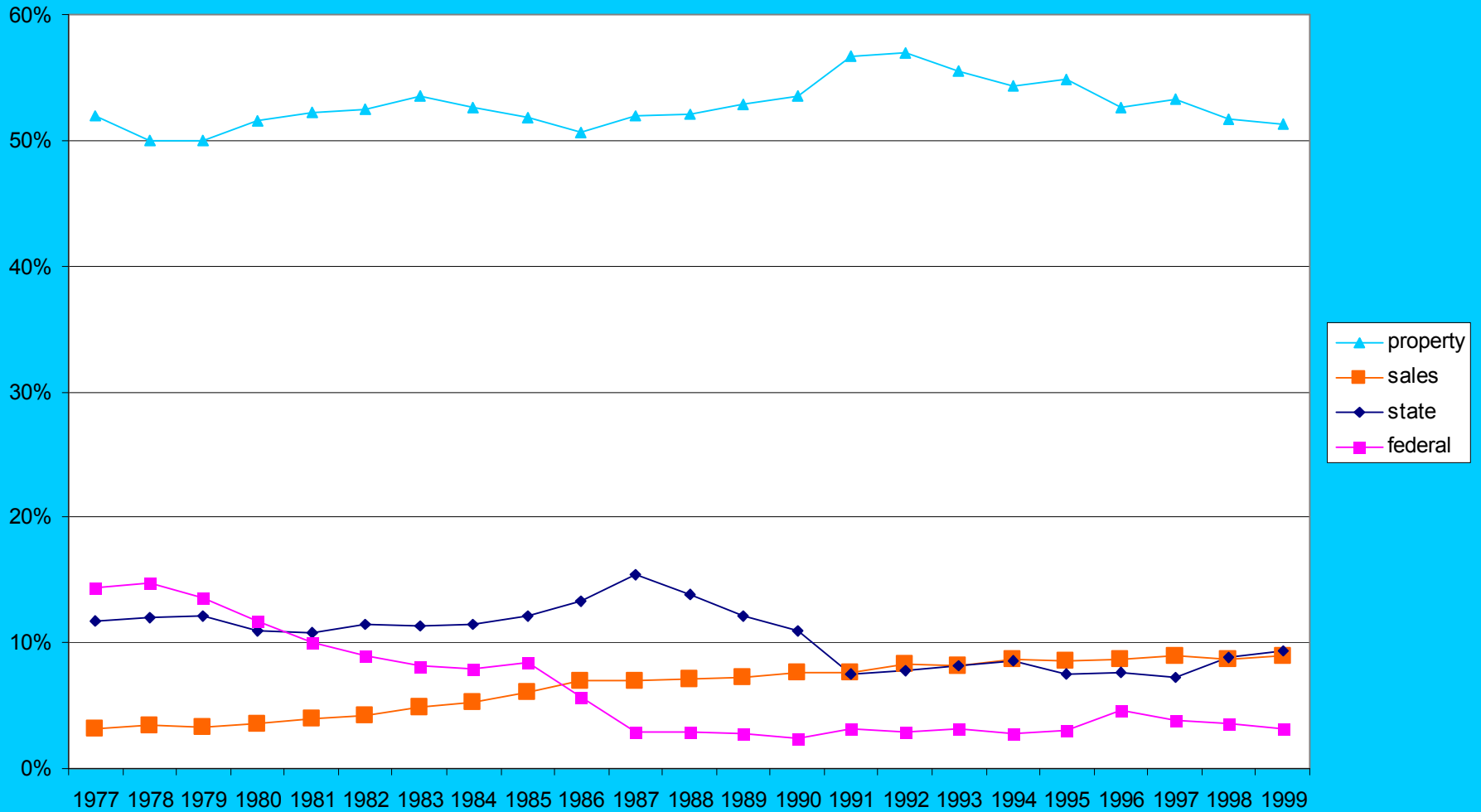
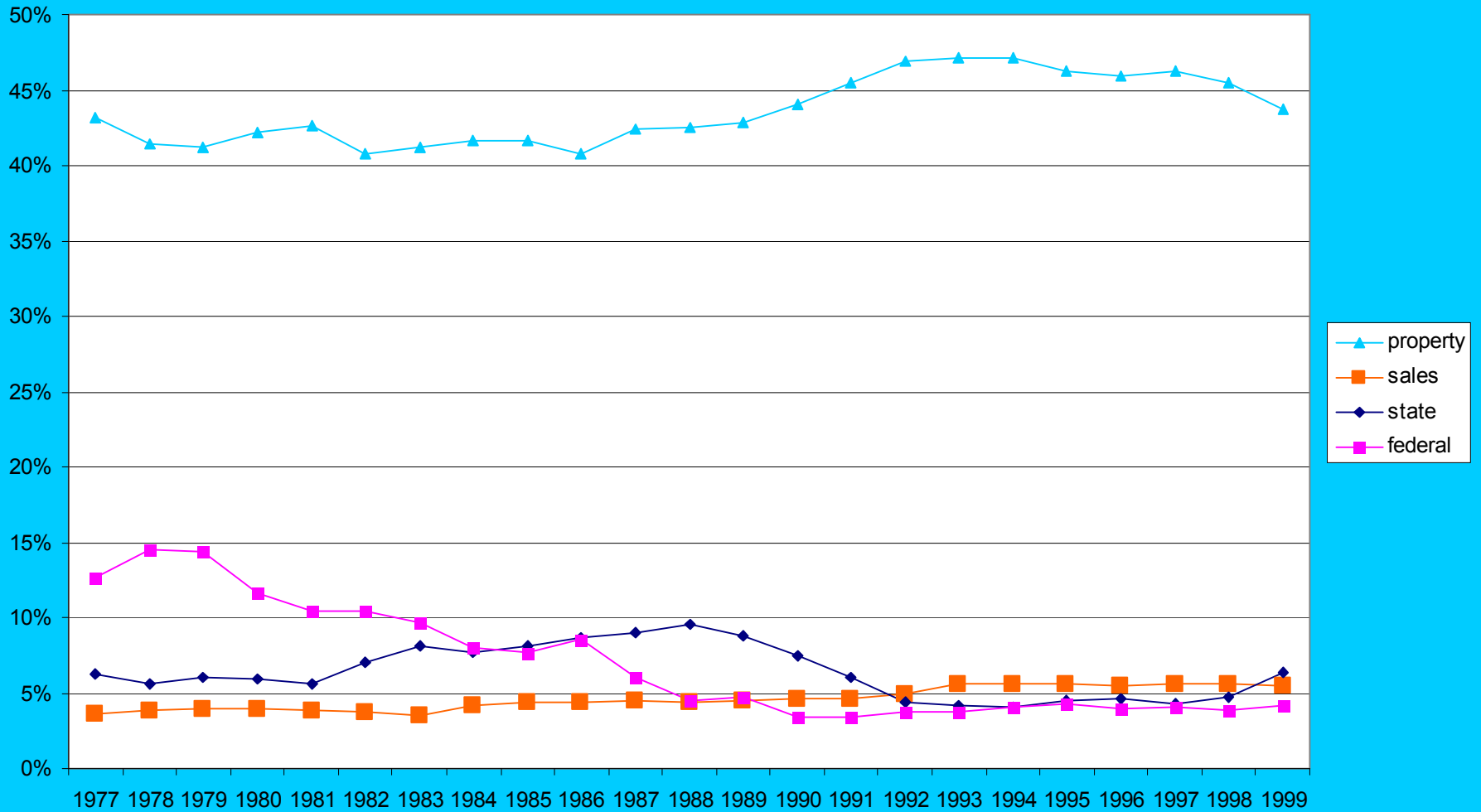


Figure 23
Federal and State Aid Transfers, Sales and Property Taxes,
Percent of Total Revenues, NY Villages



Current Situation

- Economic Downturn
- Rising Unemployment
- Lowered Corporate Revenues and Profits
- Retrenching Consumer Spending and Sentiment.
- State Cooffers are Low
- Federal Defense Spending on Rise
- New York City Crisis

Implication for Local Services

- Citizens continue to demand quality services.
- Local government units are increasingly dependent on locally generated revenues from property and sales.
- New York local taxes are high and getting higher relative to other states
- Is this “good” or “bad” for the economy? For New Yorkers? It depends on what the taxes buy
- The most important question this raises is: do the services these taxes support have a positive impact that justifies their cost?