

# *New York Taxes In Relation to Other States*

*Session: What Are The Best Statewide Sources of Revenue?*

*Can New York State Get an 'A' in School Finance Reform?  
Convened by the Citizens Budget Commission*

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# Important Issues To Consider

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- Size of tax increase (if any) influences kinds of options that are feasible
- Traditional tax policy considerations:
  - Adequacy – stability, growth
  - Equity (horizontal, vertical); distribution – geographic, income, industry
  - Neutrality, economic impact
  - Cost, administrability
- Tax policy goals often conflict

# Easier to Measure Tax Levels Than Tax Burdens: All Indexes Flawed, But Tell Similar Stories

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- Tax capacity hard to measure
- Taxes can be exported; measures don't account for this well
- Federal deductibility not accounted for
- Personal income: doesn't include capital gains, nonresident income, business activity
- Per capita – income and wealth not reflected
- NY: high exporting opportunities, deductibility is valuable, high capital gains, high-wealth, high non-resident taxes

## New York State and Local Taxes Indexed to National Average FY 2002 Except Where Noted Otherwise

|  | Index<br>(US=100) |
|--|-------------------|
| Taxes as % of gross state product                      | 120               |
| Taxes as percent of personal income                    | 126               |
| Tax effort under "Representative Tax System" (FY 1997) | 144               |
| Taxes per capita                                       | 147               |
| Tax Foundation   | 127               |

# NY *Local*/Tax Level Is High Relative To Nation; State Taxes Closer To Average

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## Taxes as % of Gross State Product in Selected States Indexed to United States Average Fiscal Year 2002

|                | State-local | State | Local |
|----------------|-------------|-------|-------|
| New York       | 120         | 99    | 151   |
| California     | 99          | 108   | 86    |
| Connecticut    | 102         | 103   | 101   |
| Massachusetts  | 93          | 98    | 86    |
| Michigan       | 107         | 129   | 75    |
| New Jersey     | 106         | 95    | 122   |
| North Carolina | 92          | 107   | 70    |
| Ohio           | 108         | 102   | 118   |
| Pennsylvania   | 103         | 103   | 104   |
| Wisconsin      | 118         | 126   | 105   |

Sources: Census Bureau data on government finances; Bureau of Economic Analysis data on gross state product.

# NY Relies Particularly Heavily On Income Taxes – About 90% of Difference From US Average is in PIT

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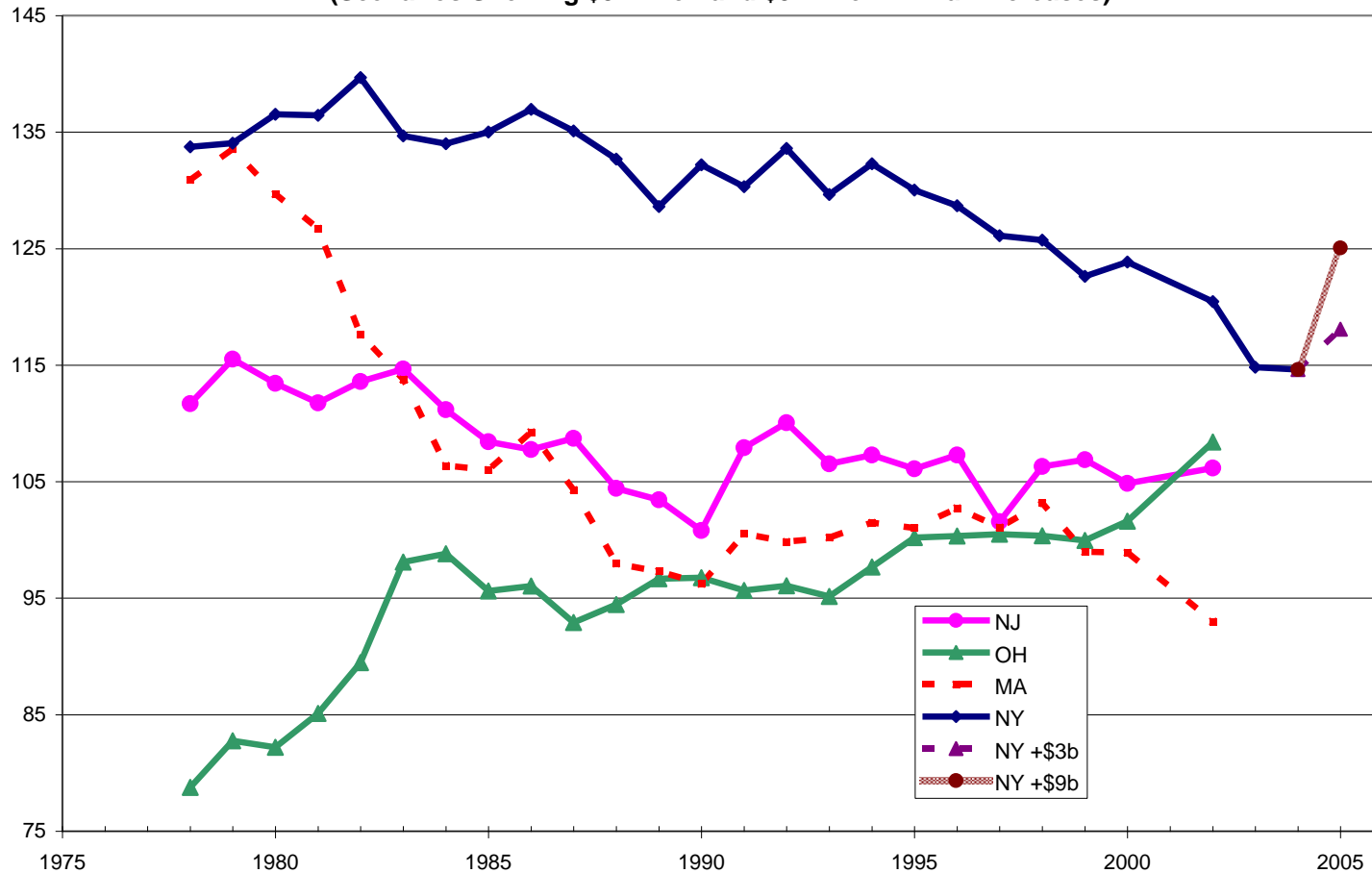
State and Local Taxes as % of Gross State Product in Selected States  
Indexed to United States Average  
Fiscal Year 2002

|                | Total Tax | Individual<br>Income Taxes | General Sales<br>Taxes (prior to<br>NY 1/4 cent rate<br>increase) | Selective<br>Sales Taxes | Property<br>Tax | Corporation<br>Net Income<br>Taxes |
|----------------|-----------|----------------------------|---|--------------------------|-----------------|------------------------------------|
| New York       | 120       | 183                        | 91  | 71                       | 118             | 221                                |
| California     | 99        | 121                        | 105   | 76                       | 81              | 141                                |
| Connecticut    | 102       | 111                        | 83  | 89                       | 131             | 32                                 |
| Massachusetts  | 93        | 137                        | 58  | 58                       | 110             | 102                                |
| Michigan       | 107       | 103                        | 110   | 77                       | 111             | 232                                |
| New Jersey     | 106       | 94                         | 75  | 77                       | 160             | 109                                |
| North Carolina | 92        | 132                        | 81  | 107                      | 71              | 87                                 |
| Ohio           | 108       | 158                        | 94  | 83                       | 103             | 73                                 |
| Pennsylvania   | 103       | 116                        | 83  | 93                       | 97              | 106                                |
| Wisconsin      | 118       | 140                        | 100   | 101                      | 132             | 90                                 |

Sources: Census Bureau data on government finances; Bureau of Economic Analysis data on gross state product.

# State and Local Taxes As % of Gross State Product Over 2 Decades

State & Local Taxes as % of Gross State Product in Selected States  
Indexed to United States Average  
(Scenarios Showing \$3 Billion and \$9 Billion NY Tax Increases)



# Parting Comments

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- Large tax increases can have large economic effects, especially when not spread broadly: Think low rates, broad bases
- Spending *can* have economic benefits, too – but not necessarily at same time (educating today's fourth graders may yield economic benefits long after taxes to finance education are paid)
- Will there be mechanisms in place to ensure that benefits from the spending occur?