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New York Taxes Fall Hardest on Middle Class

Middle-income families in New York pay a higher share of their income in state and local taxes than do the state's richest families, according to a new study by the Institute on Taxation & Economic Policy (ITEP) titled *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*.

When all New York's state and local taxes are totaled up, the new ITEP study found that:

- New York families earning less than \$16,000 — the poorest fifth of New York non-elderly taxpayers — pay 9.6% of their income in New York state and local taxes.
- Middle-income New York taxpayers — those earning between \$33,000 and \$56,000 — pay 12.0% of their income in New York state and local taxes.
- But the richest New York taxpayers — with average incomes of \$3,065,800 — pay only 9.4% of their income in New York state and local taxes.

"No one would ever design an income tax with lower tax rates for the best-off taxpayers," said Matthew Gardner, ITEP's Executive Director and the lead author of the new study. "But that is exactly what New York's tax system overall does: it allows the very wealthiest individuals to contribute less of their income, on average, than middle- and lower-income families must pay. In other words, New York has an unfair, regressive tax system."

"The main reason for the unfairness of New York's overall state-local tax system is the state's heavy reliance on regressive sales, excise and property taxes, which fall disproportionately on the worst-off families," noted Frank Mauro, Executive Director of the Fiscal Policy Institute which focuses on tax, budget and economic issues that affect New York residents. "New York's major progressive tax, the personal income tax, is not sufficient to offset the unfair impact of the sales, excise and property taxes."

"New York lawmakers have a straightforward strategy available for redressing this imbalance. By relying more heavily on income taxes, and less on sales, excise and property taxes, New York could make its state-local tax system substantially less unfair," said Ron Deutsch, Executive Director of New Yorkers for Fiscal Fairness.

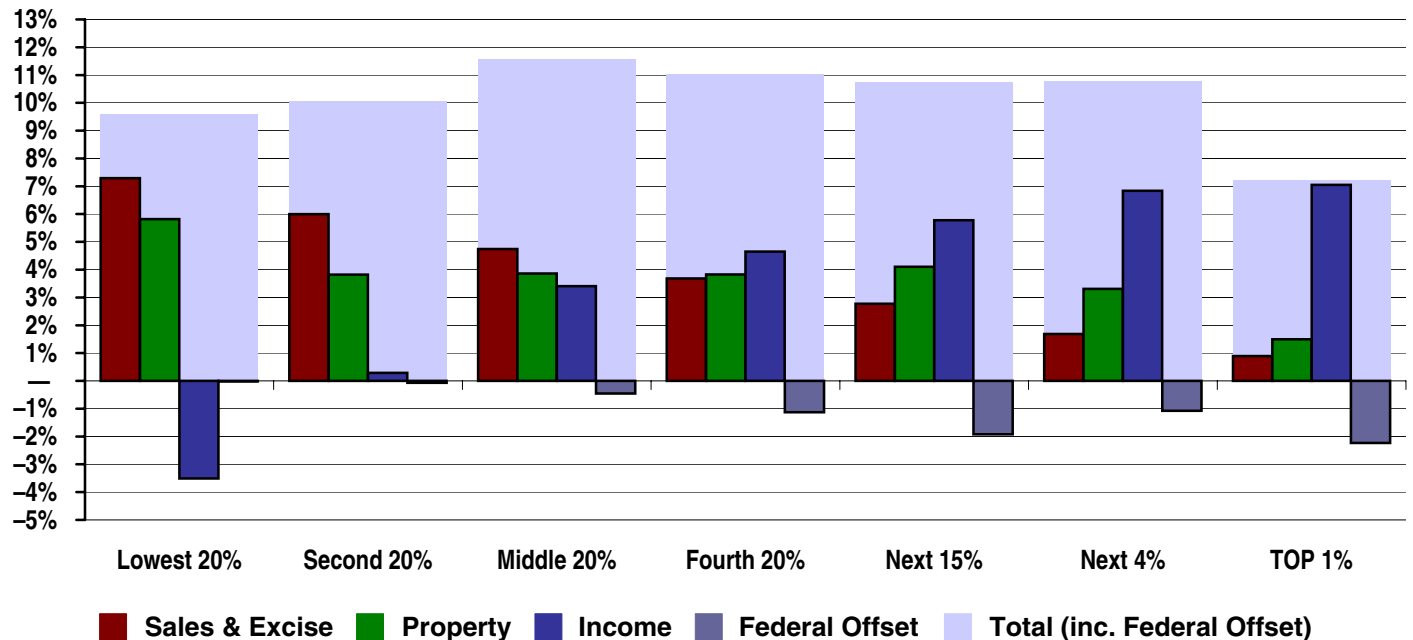
"New York State can raise sufficient revenue to maintain the services that are essential to the state's economic prosperity and its quality of life and it can do so in a way that is fairer than the present system," added Bob Cohen, the Policy Director of Citizen Action of New York and the Public Policy and Education Fund. "It just doesn't make sense to have a tax system in which millionaires pay a smaller share of their income in state and local taxes than families with incomes of \$25,000 or \$45,000 or \$65,000 a year. This points to the need for greater tax fairness on the state and federal levels."

The Institute on Taxation and Economic Policy (ITEP) is a non-profit, non-partisan research and education organization that provides policymakers and the public with accurate, useful, and timely information regarding state and federal tax systems and their impact on taxpayers at different income levels. Since 1996, ITEP has maintained and regularly updated a 50-state microsimulation model that allows it to produce accurate estimates of current and proposed tax policies at the federal and state levels.

New York

State & Local Taxes in 2007

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$16,000	\$16,000 – \$33,000	\$33,000 – \$56,000	\$56,000 – \$95,000	\$95,000 – \$209,000	\$209,000 – \$633,000	\$633,000 or more
Average Income in Group	\$9,600	\$24,400	\$43,800	\$73,100	\$133,000	\$338,100	\$3,065,800
Sales & Excise Taxes	7.3%	6.0%	4.7%	3.7%	2.8%	1.7%	0.9%
General Sales—Individuals	3.6%	3.3%	2.8%	2.3%	1.8%	1.1%	0.6%
Other Sales & Excise—Ind.	1.5%	0.9%	0.6%	0.4%	0.3%	0.1%	0.0%
Sales & Excise on Business	2.2%	1.8%	1.4%	1.0%	0.7%	0.4%	0.2%
Property Taxes	5.8%	3.8%	3.9%	3.8%	4.1%	3.3%	1.5%
Property Taxes on Families	5.3%	3.3%	3.4%	3.4%	3.6%	2.6%	0.6%
Other Property Taxes	0.5%	0.5%	0.5%	0.5%	0.5%	0.8%	0.9%
Income Taxes	-3.5%	0.3%	3.4%	4.7%	5.8%	6.8%	7.0%
Personal Income Tax	-3.5%	0.3%	3.4%	4.6%	5.7%	6.6%	6.7%
Corporate Income Tax	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.4%
TOTAL TAXES	9.6%	10.1%	12.0%	12.2%	12.7%	11.8%	9.4%
Federal Deduction Offset	-0.0%	-0.1%	-0.5%	-1.1%	-1.9%	-1.1%	-2.2%
TOTAL AFTER OFFSET	9.6%	10.0%	11.6%	11.0%	10.7%	10.8%	7.2%

Note: Table shows 2007 tax law updated to reflect permanent changes in law enacted through October 2009.

New York

State & Local Taxes

Features, Developments, and Comparisons

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Provides a refundable earned income tax credit (EITC)

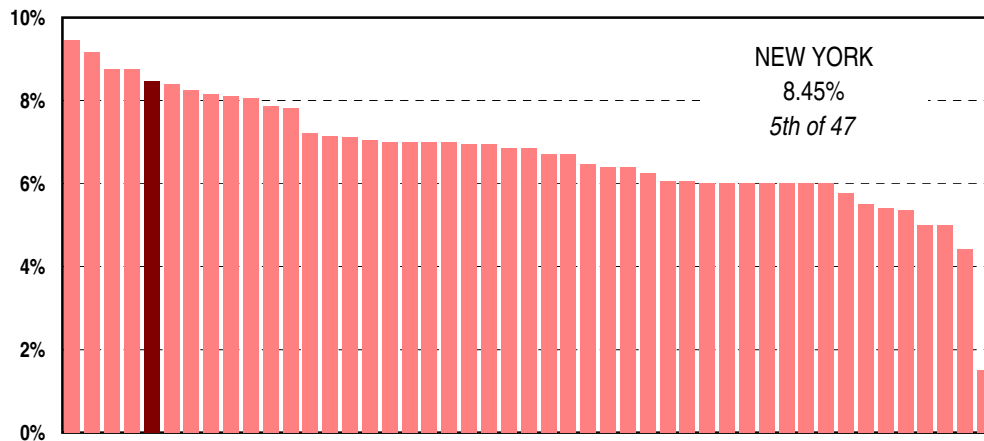
Regressive Features

- ✗ Comparatively high combined state and local sales tax rates

Recent Developments

- ▲ Added two new top income tax brackets on a temporary basis and further limited itemized deductions
- ▲ Adopted a refundable child tax credit
- ▲ Increased the standard deduction for married couples
- ▲ Mandated the use of combined reporting

Combined State and Local Sales Tax Rates



Change in the Composition of Revenue

