

New York Taxes Hit Poor & Middle Class Far Harder than the Wealthy

Low- and middle-income families in New York pay a far higher share of their income in state and local taxes than do the richest New Yorkers, according to a new study by the Institute on Taxation & Economic Policy.

“State and local governments are being called upon to take on more and more responsibilities,” said Robert S. McIntyre, ITEP’s tax policy director and lead author of the study, titled *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*. “Unfortunately, when it comes to paying for services, New York has an unfair tax system.”

New York’s Tax Code: Tax the Poor & Middle Class More Than the Wealthy

When all New York taxes are totaled up, the study found that:

- The state and local tax rate on the best off one percent of New York families—with average incomes of \$1.6 million—is 9.1% before accounting for the tax savings from federal itemized deductions. After the federal offset, the effective tax rate is only 6.5%.
- The tax rate on families in the middle of the income distribution—those earning between \$27,000 and \$44,000—is 11.9% before the federal offset and 11.6% after, nearly double the effective rate the richest pay.
- But the tax rate on the poorest New York families—those earning less than \$15,000—is the highest of all. At 12.6%, it is more than twice the rate on the very wealthy.

“New York’s income tax fails to offset the regressivity of its sales and excise taxes, giving the state an unfair, regressive tax system,” McIntyre said. “Taxes ought to be based on people’s ability to pay them, which means that the share of income paid in taxes should rise as income grows, not fall as is the case in New York.”

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Tax Regressivity Has Grown Since 1989

The study also examined the impact of changes in the regressivity of New York taxes since 1989, when the last cycle of state government shortfalls began. The study's findings include:

- Tax burdens in New York decreased substantially overall since 1989, but the tax cuts were concentrated most heavily in the upper incomes.
- The introduction of a generous earned-income tax credit decreased income tax burdens on the poorest New Yorkers, but much of that benefit was eroded by increased consumption taxes.

"Low- and middle-income taxpayers in New York benefitted least from tax cutting in the 1990s," said McIntyre. "As lawmakers consider budget-balancing strategies in 2003, they should remember that the New York tax system is much tougher on low- and middle-income families than on the wealthy."

Two pages of tables detailing the New York findings of the study follow

The Institute on Taxation and Economic Policy is a nonpartisan Washington-based research group. The full *Who Pays?* report is available in PDF format at www.itepnet.org. Printed copies can be ordered by calling ITEP at 202-737-4315.

Who Pays? examines the tax systems of all 50 states and the District of Columbia, using the Institute on Taxation & Economic Policy Microsimulation Tax Model. The ITEP Model is similar in methodology and data sources to the elaborate computer models used by the U.S. Treasury and the congressional Joint Committee on Taxation, except that the ITEP Model adds state-by-state estimating capabilities.

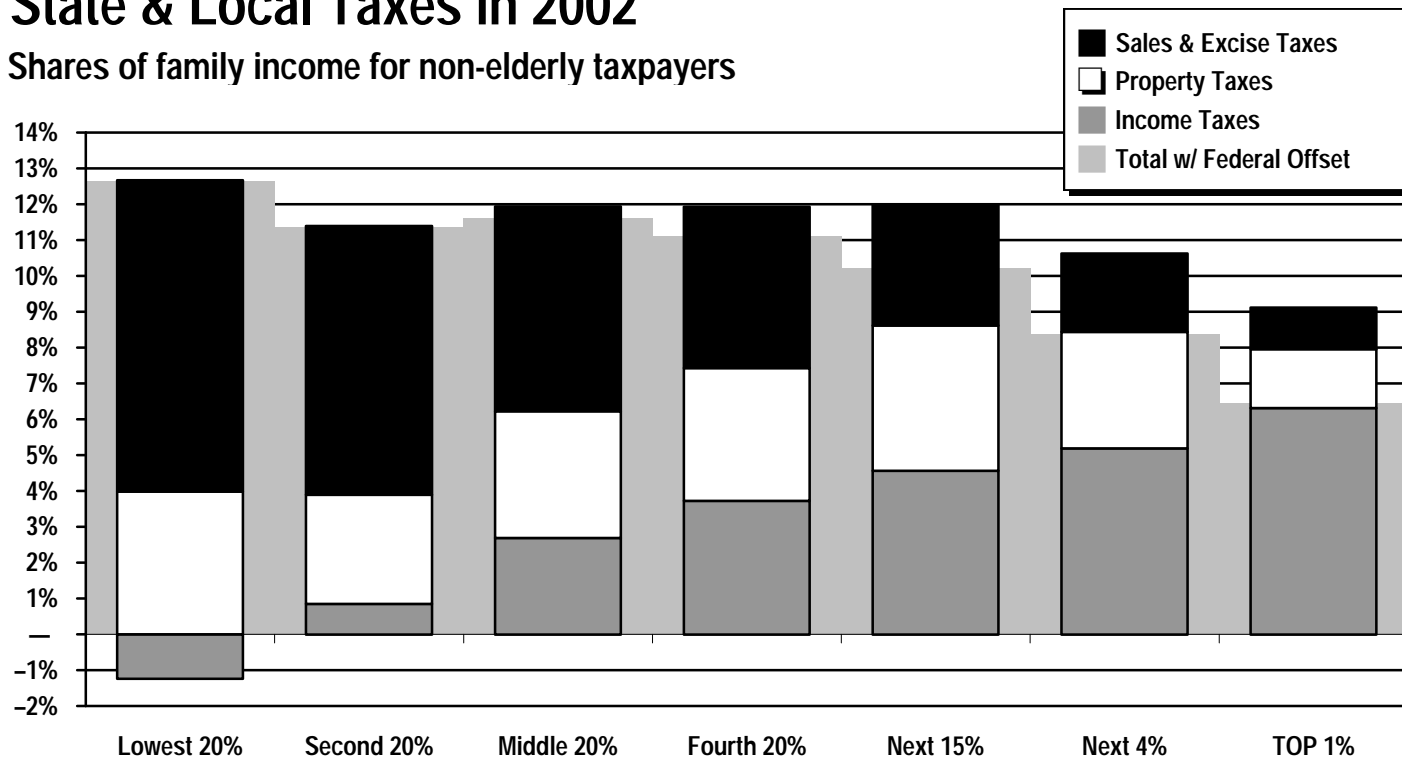
The findings published in the study detail state and local taxes paid by non-elderly couples and individuals. The study includes all major state and local taxes: personal and corporate income taxes, property taxes, and sales and excise taxes.

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New York

State & Local Taxes in 2002

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 \$15,000	\$15,000 – \$27,000	\$27,000 – \$44,000	\$44,000 – \$74,000	\$74,000 – \$160,000	\$160,000 – \$634,000	\$634,000 or more
Average Income in Group	\$8,700	\$20,700	\$34,900	\$56,800	\$102,000	\$250,000	\$1,663,000
Sales & Excise Taxes	9.5%	7.5%	5.7%	4.5%	3.4%	2.2%	1.2%
General Sales—Individuals	3.9%	3.6%	2.9%	2.5%	1.9%	1.3%	0.7%
Other Sales & Excise—Ind.	2.7%	1.6%	1.1%	0.7%	0.5%	0.3%	0.1%
Sales & Excise on Business	2.9%	2.3%	1.7%	1.3%	0.9%	0.6%	0.4%
Property Taxes	4.4%	3.0%	3.5%	3.7%	4.1%	3.2%	1.6%
Property Taxes on Families	3.9%	2.7%	3.1%	3.2%	3.5%	2.7%	0.7%
Other Property Taxes	0.5%	0.4%	0.4%	0.5%	0.5%	0.6%	0.9%
Income Taxes	-1.2%	0.8%	2.7%	3.7%	4.6%	5.2%	6.3%
Personal Income Tax	-1.3%	0.8%	2.6%	3.7%	4.5%	5.1%	6.0%
Corporate Income Tax	0.0%	0.0%	0.1%	0.0%	0.0%	0.1%	0.3%
TOTAL TAXES	12.7%	11.4%	11.9%	11.9%	12.0%	10.6%	9.1%
Federal Deduction Offset	-0.0%	-0.1%	-0.3%	-0.8%	-1.8%	-2.3%	-2.7%
TOTAL AFTER OFFSET	12.6%	11.3%	11.6%	11.1%	10.2%	8.4%	6.5%

Note: Table shows 2002 tax law at 2000 income levels.

New York Tax Trends

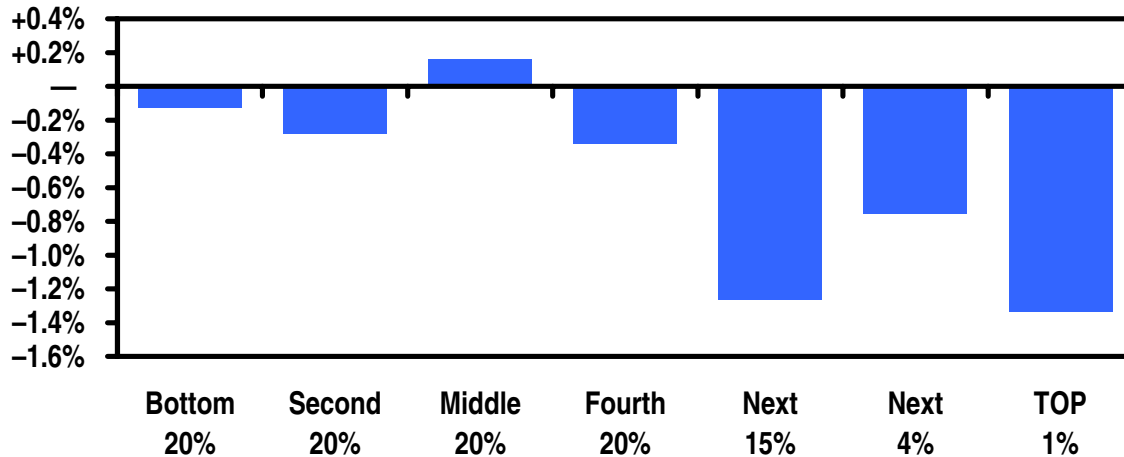
Progressive Features

- ✓ Graduated income tax rates
- ✓ Refundable EITC

Regressive Features

- ✗ Significant combined state and local sales taxes
- ✗ One of the highest cigarette tax nationwide

Changes in Taxes as Shares of Income, 1989 – 2002

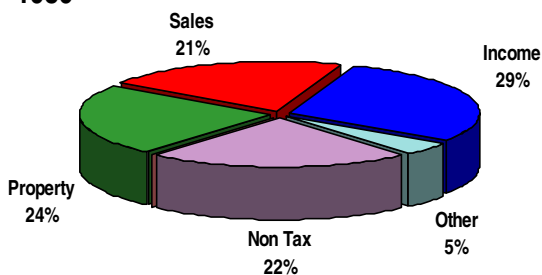


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.9%	+0.2%	+0.1%	-0.0%	-0.1%	-0.1%	-0.1%
Property	+0.5%	+0.2%	+0.5%	+0.0%	-0.8%	-0.6%	-0.3%
Income	-1.5%	-0.8%	-0.3%	-0.3%	-0.4%	-0.3%	-0.4%
Federal Offset	-0.0%	+0.0%	-0.1%	-0.1%	-0.0%	+0.1%	-0.6%
Overall Change	-0.1%	-0.3%	+0.2%	-0.3%	-1.3%	-0.7%	-1.3%

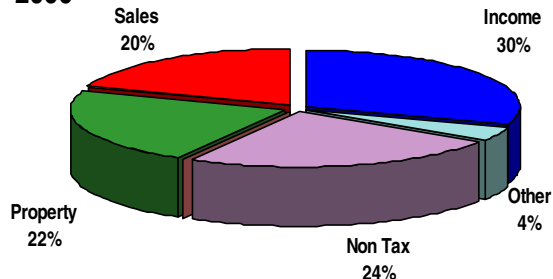
Created in 1994, the New York EITC has become one of the most generous in the nation at 30 percent of the federal credit. The top income tax rate was cut from 7.875 to 6.85 percent. While clothing under \$110 was exempted from the sales tax, an average half cent hike in local sales taxes and a substantial rise in cigarette taxes yield sales and excise tax hikes for lower income New Yorkers.

Composition of Revenues

1989



2000



Source: Government Finances, US Department of Census