New York City
Independent Budget Office
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Comparing Homeowner Tax Burdens Across New York State

Introduction

New York City homeowners are often assumed to enjoy considerable tax advantages compared with homeowners elsewhere in the region and state because of the city's low property taxes on single family homes. IBO tests this assumption by measuring and comparing local tax burdens imposed on resident homeowners—including owners of coops and condos—across New York State. Using a more comprehensive measure of local tax burden, IBO finds that resident homeowners in New York City pay a higher level of taxes than the average for the rest of the state.

Issues in Comparing Tax Burdens

In order to compare taxes in different jurisdictions, IBO developed a measure of local tax burdens that takes into account variations in local government organization. For example, some New York State school districts are fiscally independent with their own taxing authority, while the five largest city school districts (including New York City) are fiscally dependent on their city government and lack independent taxing authority. Similarly, in some areas of the state fire protection is provided by financially independent fire districts, while elsewhere the service is provided by the village, town or city. A portion of welfare services is financed at the county level in New York State, although for New York City—which is composed of five counties—it is counted as a municipal expense.

Given this variation, IBO's measure of local tax burdens includes the taxes assessed by all levels of local government on the residents of a particular area. This study includes taxes imposed by any of the following jurisdictions: fire districts, school districts, villages, towns, cities, and counties.

This paper uses counties as the level of government for comparing local tax burdens. New York City (treated as a single county) is more like the state's other 57 counties than it is like the other municipalities since it provides all local services that are supplied to other New Yorkers by their various government organizations. Measuring local taxes at the county level entails aggregating taxes from all levels of government within the county including the county government itself. Where school districts cross county lines, school taxes are apportioned among each of the counties based on the portion of property value falling in each county.[1]

Summary

- **IBO has developed a measure that allows us to compare tax burdens on homeowners across New York State.**
- **Including both local property and personal income taxes, the average tax burden on New York City resident homeowners is a substantial $7.26 per $100 of income—6 percent above the average for the rest of the state.**
- **Adding in local sales taxes, the average burden rises to $9.77 per $100 of income, 11 percent above the average for the rest of the state.**

Measuring Capacity to Pay

Measures of local tax burden relate the level of taxes (the numerator) to the capacity or resources used to pay them (the denominator). We have chosen to use an income-based capacity measure because it is a better gauge of ability to pay than a wealth-based measure such as property values. The specific measure we use is adjusted gross income (AGI) of resident homeowners in each county. This measure is available from personal income tax returns and includes all taxable income before deductions and exemptions are applied. Public assistance benefits, tax-exempt interest, pensions, and annuities, and the non-taxable portion of social security benefits, are among the types of income excluded from AGI.

Measuring Local Taxes

New York City's mix of taxes differs significantly from the tax mix in the rest of the state.[2] Outside the city, property taxes (79 percent of the total) and sales taxes (18 percent) account for virtually all of local tax revenues. In contrast, within New York City, property taxes account for only 37 percent of tax revenues, while sales tax revenues make up 16 percent. Twenty-one percent of total tax revenue comes from the local personal income tax (PIT) on residents and 26 percent from all other taxes. With a wider mix of revenue sources available to the city, property tax burdens can be expected to be lower than in jurisdictions relying more heavily on that tax, although this will be offset considerably by the burden of the PIT and other taxes not available to other jurisdictions.

Because our focus is on the burden on resident homeowners, we use a basic measure of local taxes that includes property taxes imposed directly on homeowners by all local levels of government. For New York City and Yonkers, which impose a tax on personal income, our tax burden measure also includes the share of local PIT borne by resident homeowners. Property taxes on rental buildings and commercial property are excluded, as are business and utility taxes, and sales taxes paid by renters. Although much of the business tax burden is exported to non-resident owners and customers, a portion is borne by local residents. Thus, our simple measure understates local homeowner burdens in jurisdictions with business taxes. The understatement of local homeowner burden will be greatest in New York City because the city makes far greater use of the excluded taxes than do other jurisdictions in the state.

In addition to the basic measure that includes property and personal income taxes, we construct an alternative measure of local taxes that also includes sales taxes paid by resident homeowners; estimates of sales tax burdens for each county are based on resident homeowners' share of AGI. However, because a portion of local sales taxes are paid by businesses rather than residents, this estimate will overstate the sales tax burden on homeowners. It is likely that the overstatement is greatest in New York City because the city generates a greater share of its economic activity from sales of goods and services from one business to another and to visitors than do other counties in the state. Our alternative measure, with the estimated sales tax burden included, serves to mark the upper limit for the burden of the set of local taxes homeowners most commonly face.

Average Homeowner Household Income, Taxes and Tax Burdens 1997

	NYC	NYC Rank	Rest of State	NYC Suburbs	Upstate
AGI	$64,407	3	$51,507	$65,736	$41,286
Property tax + PIT	$4,675	3	$3,524	$4,534	$2,799
(Property tax + PIT)/$100 AGI	$7.26	20	$6.84	$6.90	$6.78
Property tax + sales tax + PIT	$6,295	2	$4,538	$5,700	$3,693
(Property + sales + PIT)/$100 AGI	$9.77	18	$8.81	$8.67	$8.95

Taxes Across the State

Absolute levels of resident homeowner taxes are highest in the downstate region. New York City's homeowner households pay, on average, $4,675 in combined property and PIT taxes ($2,413 in property tax and $2,262 in PIT), third highest in the state among counties. In the surrounding suburbs, households pay $4,534 in combined property tax and local PIT, with Westchester, Putnam, Suffolk, and Nassau counties ranked first, second, fourth, and fifth in the state, respectively. In upstate counties the property taxes for resident homeowners average $2,799, only 44 percent of the level in Westchester, but 16 percent above the average for property taxes alone in the city.

When we measure tax burdens—the ratio of taxes paid to tax capacity—rather than the absolute level of taxation, the differences among the regions become much smaller. This is because average income per household, our measure of capacity to pay, in both the city and its suburbs is more than 56 percent higher than upstate ($64,407 in the city, $65,736 in the suburbs, and only $41,286 upstate). Westchester County ranked first among all counties with average homeowner income of $103,295, while the city ranked third.

With much larger AGI (denominators) downstate offsetting much of the difference in tax levels (numerators), combined property tax and PIT burdens averaged $7.26 per $100 of income in the city, $6.90 in the city's suburban counties, and $6.78 in upstate counties. The city's burden ranked twentieth among 58 counties, 6 percent higher than the average burden in the rest of the state, and 13 percent above the median burden outside the city.

Adding our estimate of the share of sales taxes paid by resident homeowners alters the tax burden rankings of the regions, but has little impact on the ranking for New York City among the counties. For upstate counties, which include a number of cities that rely heavily on the sales tax, the resident homeowner burden grows by $2.17 to $8.95 per $100 of AGI. This puts the upstate average burden slightly above the average for the suburban counties ($8.67). In the city, the burden including the sales tax jumps to $9.77 per $100 of AGI, eighteenth highest among counties in the state, 11 percent above the average, and 13 percent higher than the median, for the rest of the state.

Conclusion

Although New York City is generally perceived to be a high-tax jurisdiction when all taxes are considered, some analysts have assumed that the city's low effective tax rates on one-, two-, and three-family homes leads to relatively low burdens on homeowners.[3] Because the city levies a broad mix of taxes, however, its property tax burdens need not be as high as in jurisdictions where that tax accounts for the vast majority of revenues. Measuring homeowner tax burdens in the city requires including the other taxes homeowners pay in addition to the property tax. Using a measure of resident homeowner burden combining just the PIT and property tax, the local tax burden for homeowners is shown to be above the average for the rest of the state. Adding the portion of the sales tax falling on homeowners places the city even further above the rest-of-state average and among the top third of counties ranked by local tax effort of resident homeowners.

Data and Sources

The tax and income data for this study come from a variety of New York State sources. School district property tax revenues and full values by major types of property were obtained from the New York State Office of Real Property Services. That office also supplied data on property tax rates in overlapping jurisdictions and the share of each town's full value attributable to each school district. Major tax revenue sources for fire districts, villages, towns, cities, school districts, and counties were obtained from data files maintained by the Office of the New York State Comptroller. The files are used in producing the Comptroller's annual *Special Report on Municipal Affairs*. All of the tax revenue data are for fiscal years ending in 1997. Data on aggregate AGI (tax year 1996) for school districts was provided by the New York State Department of Taxation and Finance. The share of AGI attributable to homeowners was estimated using the U.S. Bureau of the Census Current Population Survey (CPS), March 1998 Demographic Supplement. Personal income tax and sales tax attributable to homeowners were estimated using the homeowner AGI share in the county.

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Notes

[1] IBO has also developed an alternative measure using cities and towns (municipalities) as the government levels for comparison. For additional information, contact IBO.

[2] Indeed, it is significantly different even from other large cities across the country—with a greater share of revenues coming from income taxes (personal and business)—and correspondingly a smaller share from the property tax. (IBO, "Tax Capacity and Tax Effort in Major U.S. Cities," February 2000, Table 3.)

[3] There is broader consensus that New York City is a high-tax jurisdiction when all taxes are considered. As measured for this study, all local taxes—including those on renters and businesses—account for $22 per $100 of AGI in the city, which is higher than in all but one county in the state.

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