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The Legislature's Plans to Put New York City on Sound Fiscal Footing

Key Findings

- The Senate and Assembly propose nearly identical plans authorizing New York City to raise an additional $3 billion in its own revenue. These plans consist of progressive taxes on corporations, millionaires, and high-end home sales.

- The Senate and Assembly put forward different plans to boost direct State funding for New York City. Only the Senate's $2 billion funding plan meets the City's fiscal needs. The Assembly proposes $1.45 billion in new funding.

Introduction

The fiscal strain bearing down on the New York City budget has its origin in policy set by New York State. The State consistently shifts costs onto the City without allowing the City to raise additional revenue or control much of its own tax system. Policy action by the state is therefore necessary to set the City on solid fiscal ground.

The Fiscal Year 2027 executive budget proposed modest support for New York City: $500 million in recurring assistance and another $500 million in one-off funding. After accounting for this aid, the City narrowed its FY 2027 gap to $5.4 billion, down from $7 billion. Without further assistance, the City will be required to raise property taxes—the only tax rate the City can raise without authorization from the State—or enact profound cuts to public services.

The Senate and Assembly have proposed much greater support for the City in their one-house budgets. Both houses would authorize the City to bring in about $3 billion in additional revenue through a set of measures that include raising the City's business taxes (a priority of Mayor Mamdani) but exclude higher taxes on millionaire income earners (the Mayor's other major revenue priority). The Senate and Assembly propose increasing State funding to the City by $2 billion and $1.45 billion, respectively. As

a result of this $550 million difference, only the Senate proposal would raise the $5 billion necessary to close the gap and enable New York City to be fiscally stable going forward.

Table 1. Legislative plans to support New York City[1]

	Executive	Senate	Assembly	FPI Recommendation
Revenue				
Corporate tax	No proposal	Raise business tax rates: $1.75B	Same as Senate	**Adopt Senate proposals**
Personal income tax	No proposal	No proposal	No proposal	
PTET reimbursement	No proposal	Reduce to 75%: $700M	Same as Senate	
Sales of gold	No proposal	Apply sales tax to precious metal bullion: $300M	No proposal	
Property transfer tax	No proposal	Progressively higher rates for property sales above $5M: $300M	Same as Senate	
Revenue total	$—	**$3.1B**	**$2.8B**	
Direct State funding				
One-time aid	$500M (not recurring)	$—	$—	**Adopt Senate proposals**
School aid	$—	$431M	$600M (one-time) $600M (recurring)	
AIM	$—	$604M (over two years)	$—	
Social services	$300M	$956M	$253M	
Public health	$208M	$—	$—	
Annual	**$508M**	**$1.4B**	**$853M**	
One-off	**$500M**	**$600M**	**$600M**	
FY27 total	**$1B**	**$2B**	**$1.45B**	

[1] Note: The City's projected $5.4 billion gap includes the $508 million in funding from the executive; the sums outlined the legislative proposals supplement this amount.

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Authorizing New York City revenue raisers

Both houses of the legislature propose three identical revenue measures for New York City: increasing business tax rates; reducing the Pass-Through Entity Tax (PTET) credit; and progressively raising transfer tax rates for home sales greater than $5 million. The Senate additionally proposes applying the sales tax to precious metals (e.g., gold) sold for investment purposes.

Business taxes

New York City applies two business taxes to entities operating in its area: the Business Corporation Tax (BCT), which applies to incorporated businesses; and the Unincorporated Business Tax (UBT), which applies to partnerships and LLCs. Most businesses are unincorporated, including New York City's lucrative legal and consulting firms. The City's UBT rate is less than half its BCT rate.

The Senate and Assembly propose raising BCT rates from 8.85 percent to 10.62 percent for most corporations and from 9.0 percent to 10.8 percent for finance firms. Both houses propose increasing the UBT rate from 4.0 percent to 4.4 percent for firms with more than $5 million in income, holding the rate unchanged for firms with income below that level. The BCT increase would raise $1.5 billion (for a total revenue of $8.8 billion, a 20 percent increase) and the new UBT rate would bring in $250 million (a 6.6 percent increase to $4.0 billion).[2]

Table 2. City Business tax rates proposed by Senate and Assembly

Tax	Current	Proposed	New Revenue
Business Corporation Tax	Non-finance: 8.85%	10.62%	$1.5 billion
	Finance: 9.0%	10.8%	
Unincorporated Business Tax	All firms: 4.0%	Less than $5 million: 4.0%	$250 million
		More than $5 million: 4.4%	

[2] New York State Senate, S9009B, 2025–2026 Legislative Session, "An Act to Implement the State Fiscal Plan for the 2026–2027 State Fiscal Year," Part SS, introduced in Senate January 21, 2026, https://legislation.nysenate.gov/pdf/bills/2025/S9009B; New York State Assembly, A10009B, 2025–2026 Legislative Session, "An Act to Implement the State Fiscal Plan for the 2026-2027 State Fiscal Year," Part PP, introduced in Assembly January 21, 2026, https://nyassembly.gov/2026budget/2026_bills/assembly/A10009b.pdf.

PTET reimbursement

Like New York State, New York City has a pass-through entity tax, which provides those receiving pass-through business income with a benefit on their federal personal income tax liability. This tax is revenue neutral for the City. The PTET is discussed in greater detail in FPI's recent brief on the legislative revenue proposals at the state level. To summarize:

> New York State's pass-through entity tax provides a federal tax benefit to taxpayers with pass-through income (business income claimed by sole proprietors and partners in LLCs and partnerships). After the 2017 Tax Cut and Jobs Act sharply limited high earners' ability to deduct state and local taxes from their federal tax liability, many states, including New York, enacted PTETs to provide a workaround, allowing pass-through income earners to elect to meet their state and local tax obligations by paying a federally-deductible business tax and in exchange receive a credit of the same amount on their State personal income tax. They can then deduct the value of the business taxes paid from their federal income tax liability, providing a federal tax benefit that is revenue neutral for the state.[3]

Both houses propose reducing the PTET credit to 75 percent.[4] This would raise about $700 million per year. FPI estimates that about 90 percent of the value of PTET credits accrue to millionaire income earners. As such, lowering the PTET credit amounts to a sharply progressive tax on very high incomes.

Table 3. City property transfer tax rates proposed by Senate and Assembly

Current	Proposed
$500,000 or less: 1%	Same
More than $500,000: 1.425%	$500,000 to $5M: 1.425%
	$5M to $10M: 3.675%
	$10M to $15M: 4.675%
	$15M to $20M: 4.975%
	$20M to $25M: 5.175%
	More than $25M: 5.325%

Real property transfer tax

New York City currently imposes a Real Property Transfer Tax (RPTT) on the sale of real estate in the City. The RPTT applies only once, at time of the sale, and is distinct from the annual property tax. The current top RPTT rate for residential units is 1.425 percent and applies to all sales of more than $500,000. The Senate and Assembly would create five higher RPTT brackets beginning at sales of more than

[3] See Andrew Perry, "The Legislature Proposes Ambitious, Progressive New Revenue," Fiscal Policy Institute, March 16, 2026, https://fiscalpolicy.org/the-legislature-proposes-ambitious-progressive-new-revenue.
[4] Senate S9009B, Part RR; Assembly A10009B, Part OO.

$5 million. These brackets would have progressively higher rates: 3.675 percent for sales between $5 million and $10 million, rising to 5.325 percent for sales of more than $25 million.[5] These new brackets would raise annual revenue by about $300 million.

Sales of gold bullion

New York City's sales tax follows the State in exempting precious metals sold for investment purposes. At the State level, the Senate proposes eliminating this exemption for sales of precious metals exceeding $1,000.[6] This change would flow through to the City's sales tax, netting $300 million annually in City tax revenue, according to Senate estimates. This estimate may overstate the expected gain, as it does not anticipate changes in investor behavior. Investors will be less likely to purchase gold as an investment product after the 8.875 percent sales tax rate is applied. The executive and Assembly make no proposals on precious metal sales.

Increasing State funding for the City

Legislative proposals authorize New York City to raise an additional $3 billion in annual revenue. This is $2 billion short of the City's present fiscal imbalance. The Senate plans increase State funding to the City to sufficiently cover the gap. The Assembly, by contrast, falls short, proposing $1.45 billion in increased State funding.

School aid

Last year's enacted budget included piecemeal revisions to Foundation Aid, the State's main school aid funding formula. The revisions did not change the overall amount of school aid allocated by the formula but did lower the amount New York City received by $322 million while delivering broad increases to districts across the rest of the state.

The Senate and Assembly both propose correcting these biased revisions. Both would allocate additional funding to districts with large populations of students who are homeless and in foster care. This would increase the amount New York City receives. The Assembly goes much further than the Senate by allocating a 65 percent per pupil funding increase for each homeless student. The Senate proposes a funding bump of just 12 percent per pupil for homeless students. Nevertheless, the Senate would expand school transportation funding for high need districts (which includes New York City) and for Universal Pre-K pupils statewide. Taken together, the Senate estimates these actions will raise the City's total school aid by $431 million. While the Assembly does not provide a corresponding estimate, FPI estimates that its proposals would raise New York City's allocation by at least $600 million.

The Assembly also proposes allocating $600 million in one-off funds to help the City meet the costs of the class size mandate, a state law that requires New York City to meet a set of class size caps.[7]

[5] Senate S9009B, Part QQ; Assembly A10009B, Part TT.
[6] Senate S9009B, Part OO.
[7] New York State Assembly, A10003-B, 2026–2027 Legislative Session, "An Act making appropriations for the support of government Aid to Localities Budget," introduced in Assembly January 20, 2026, https://nyassembly.gov/2026budget/2026_bills/assembly/A10003b.pdf

Table 4. School aid changes proposed by Senate and Assembly

	Current	Senate	Assembly
Added per pupil funding for homeless students	No weight	12%	65%
Weight for English Language Learners	0.53	0.60	0.60
FY 2027 School Aid—NYS total	$38.5 billion	$39.2 billion	$39.4 billion
FY 2027 School Aid—NYC	$15.0 billion	$15.4 billion	$15.6 billion

Social services

Over the past fifteen years, the State has consistently shifted responsibility for social services onto local governments. These changes took shape as part of Governor Cuomo's strategy to restrain state spending while avoiding cuts to social services. This cost shifting forced localities into a fiscal straitjacket.[8]

The Senate and Assembly propose redressing this cost shifting by allocating greater state funding for the City's social services, including its shelter system and cash assistance program. The Senate also proposes funding for the City's foster care services. The Senate would appropriate $956 million for New York City social services in FY 2027 while the Assembly would appropriate just $253 million. It is important to note that these are annual appropriations; if adopted they would *not* become statutorily recurring spending. Nevertheless, because the legislature does not indicate that they are intended as one-off measures, in table 1 above FPI assumes they are part of a plan for recurring spending.

Aid and Incentives for Municipalities

Aid and Incentives for Municipalities (AIM) provides unrestricted funding (that is, general operating aid used at localities' discretion) to all local governments except for New York City. The State had long provided this type of funding to the City but eliminated support in 2010 amid the fallout from the 2008 recession. The Senate proposes temporarily reinstating AIM for the City for two years at its pre-2010 level of $302 million. In total, this would provide New York City with $604 million in non-recurring funds.

Conclusion

The executive budget's modest support for New York City leaves a substantial shortfall that would force the City to choose between unpopular options. While both houses of the legislature take up the mantle

[8] One of these shifts is discussed in FPI's recent brief on the City budget, see Perry, "New York City's Fiscal Challenge," https://fiscalpolicy.org/nyc-fiscal-challenge.

and propose substantial support—increasing State funding and authorizing the City to raise new revenue—only the Senate puts forward a plan that fully sets New York City on firm fiscal ground.