

The Role of Property Taxes in New York's State-Local Tax System

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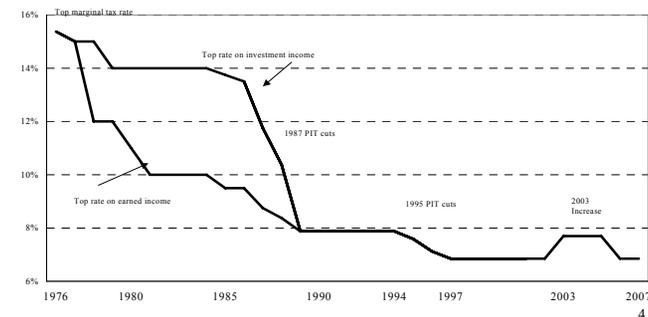
By many measurements, property taxes in NY are high.

2005 Property Taxes Per Capita

Ten Highest States		Ten Lowest States	
Rank		Rank	
1	New Jersey \$2,217	41	Tennessee \$650
2	Connecticut \$2,052	42	Hawaii \$646
3	New Hampshire \$2,034	43	Delaware \$578
4	New York \$1,773	44	West Virginia \$558
5	Wyoming \$1,758	45	Louisiana \$540
6	Rhode Island \$1,706	46	Kentucky \$539
7	Vermont \$1,705	47	Oklahoma \$486
8	Maine \$1,640	48	New Mexico \$450
9	Massachusetts \$1,608	49	Arkansas \$423
10	Illinois \$1,469	50	Alabama \$395

Yet New York's top income tax rates have been greatly reduced over the past 35 years, and are not at the high end of the spectrum.

New York State has cut its top personal income tax rate by more than 50 percent over the last 30 years - from 15.375% to 6.85%.



In fact, for the last several years, New York's top state personal income tax rate has been at an historical low relative to New Jersey and Connecticut.

	1976	1985	2003	2004	2006
New York	15.375%	9.5%	7.7%	7.7%	6.85%
New Jersey	2.5%	3.5%	6.37%	8.97%	8.97%
Connecticut	0	0	5.0%	5.0%	5.0%

Note: The tax rates shown above are for wages, salaries and business income. Prior to 1991, Connecticut taxed the interest, dividends and capital gains of high income residents but it did not tax business income, wages, salaries and other income. From 1978 through 1988, New York employed a dual rate system in which it applied a higher top rate to investment income than to wages, salaries and business income. For 1985, the top rate applicable to investment income was 13.5%.

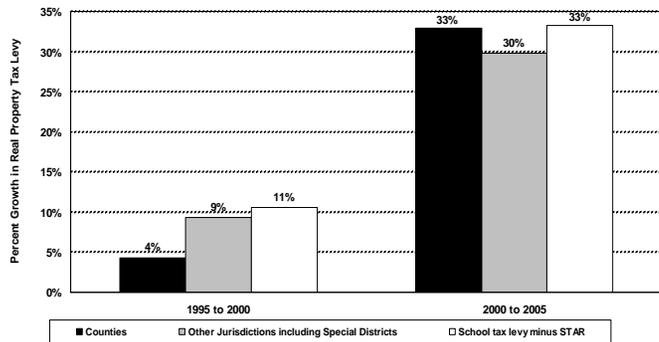
Taxes expressed as a percent of home purchase price can be remarkably uneven. In poor performing parts of the state, home values have actually dropped sharply over the last two decades.

	Full Property Value, Percent Change 1990-2006		Full Property Value, Percent Change 1990-2006
Binghamton, NY MSA	-11%	Rochester MSA	2%
Binghamton city	-32%	Rochester city	-36%
Buffalo-Niagara Falls MSA	24%	Syracuse MSA	-1%
Buffalo city	-21%	Syracuse city	-22%
Niagara Falls city	-20%	Utica-Rome MSA	16%
Elmira MSA	24%	Rome city	-31%
Elmira city	-12%	Utica city	-20%
Jamesstown-Dunkirk MSA	20%		
Jamesstown city	-17%		

Note: Values are CPI adjusted full property values.

Source: David Rusk, "Building Greater Competitiveness: Government Efficiency or Regional Effectiveness?," Presentation to the Governor's Commission on Local Government Efficiency and Competitiveness, Saratoga Springs, June 13, 2007.

School tax levies are not alone in driving the property tax burden higher. Since 2000, tax levies have grown for *all* taxing jurisdictions, *not just school districts*.

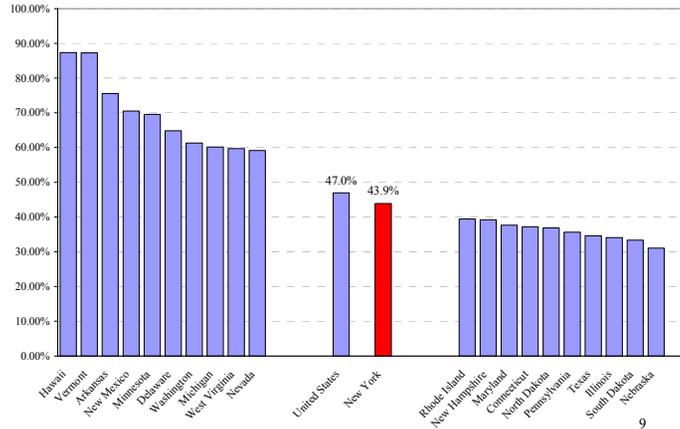


School tax levies (excluding STAR) as a percent of total levies, 2005.

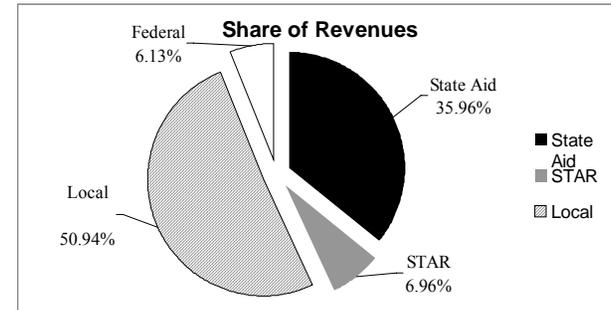
PUTNAM	71%	SULLIVAN	54%	WYOMING	48%
SARATOGA	71%	TOMPKINS	54%	OSWEGO	47%
SUFFOLK	64%	MONROE	54%	HERKIMER	47%
ORANGE	63%	ONONDAGA	53%	CAYUGA	46%
DUTCHESS	63%	BROOME	53%	ERIE	46%
ALBANY	63%	ONEIDA	52%	STEUBEN	46%
ULSTER	61%	WAYNE	52%	YATES	45%
WARREN	61%	LIVINGSTON	51%	CHAUTAUQUA	44%
ONTARIO	61%	ORLEANS	51%	ST. LAWRENCE	44%
ROCKLAND	60%	MADISON	51%	FRANKLIN	44%
NASSAU	60%	ESSEX	51%	SCHUYLER	42%
COLUMBIA	57%	SENECA	50%	CHEMUNGO	42%
CLINTON	57%	DELAWARE	50%	JEFFERSON	41%
OTSEGO	57%	SCHENECTADY	50%	MONTGOMERY	41%
GENESEE	57%	SCHOHARIE	49%	LEWIS	40%
STATEWIDE TOTAL	56%	HAMILTON	48%	CATTARAUGUS	39%
GREENE	56%	NIAGARA	48%	CORTLAND	39%
WESTCHESTER	55%	WASHINGTON	48%	FULTON	37%
NEW YORK CITY	55%	CHEMUNG	48%	ALLEGANY	37%
RENSSELAER	54%	TIOGA	48%		

Source: OSC, Overlapping Real Property Tax Rates

This is related to the fact that New York ranks 31st among the 50 states in terms of the state's share of funding.



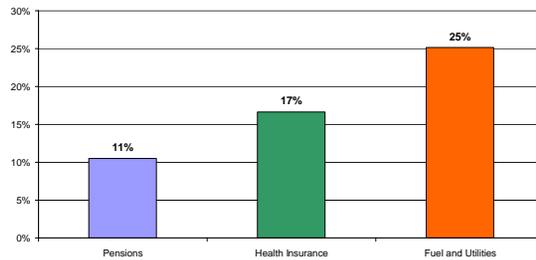
State aid is LESS THAN 43 percent of the total \$46 billion dollar education budget—one of the reasons that local property taxes are high.



Source: Fiscal Profiles 2005-06, New York State Education Department

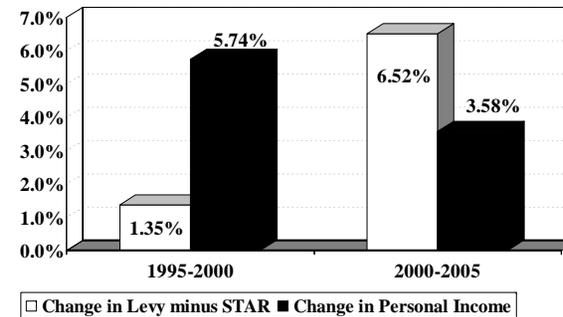
Skyrocketing costs related to a few expense categories may also have contributed to increasing need to raise local contributions.

Average Annual Increases in Costs for Florida Counties (2000-2006)

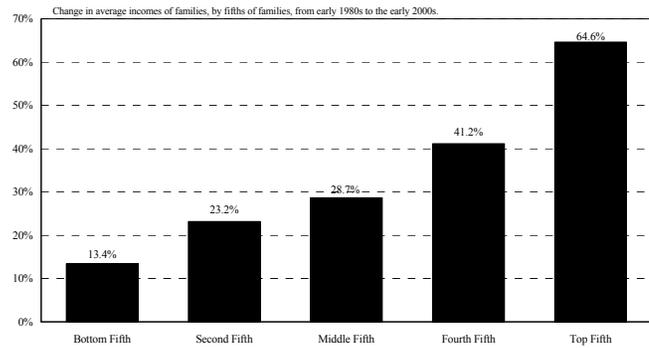


The impact is pronounced when compared to the rise in incomes over the same period. Unlike the latter part of the 1990s, when income *outpaced* tax levy growth, this decade has seen a sharp reversal of fortunes.

Average annual rate of change

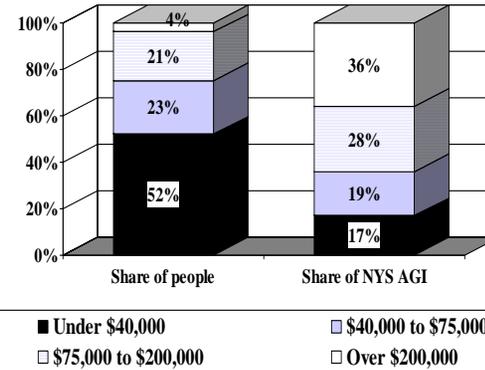


And the income growth was much greater at the top of the income distribution than in the middle and below.



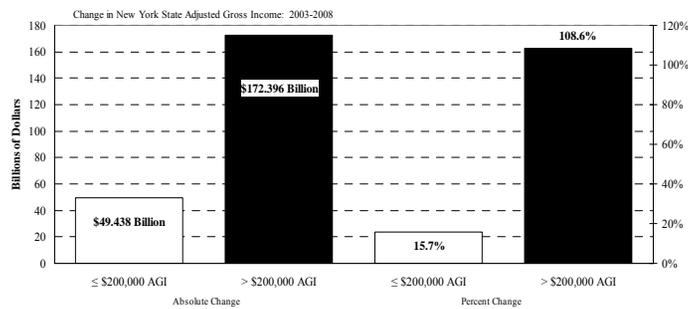
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The top 4 percent of New York income earners (over \$200K) earn as much as the entire bottom half.



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New York's income growth since 2003 has been concentrated among the top five percent.



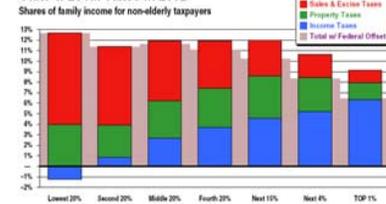
Source: New York State Division of the Budget.

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As a result, the wealthiest New Yorkers are more and more paying a lower overall combined state and local tax bill, compared to their incomes.

New York

State & Local Taxes in 2002



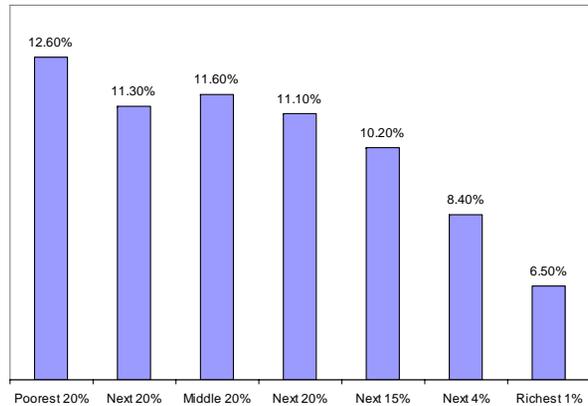
Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 10%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 - \$27,000	\$27,000 - \$40,000	\$40,000 - \$70,000	\$70,000 - \$100,000	\$100,000 - \$200,000	\$200,000 or more
Average Income in Group	\$8,700	\$20,700	\$34,900	\$56,900	\$102,000	\$220,000	\$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—Indiv	2.7%	1.8%	1.1%	0.7%	0.3%	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%	0.6%	0.5%	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%	-0.2%	-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: Taxes shown 2002 tax year at 2001 income levels.

INSTITUTE ON TAXATION & ECONOMIC POLICY, JANUARY 2003

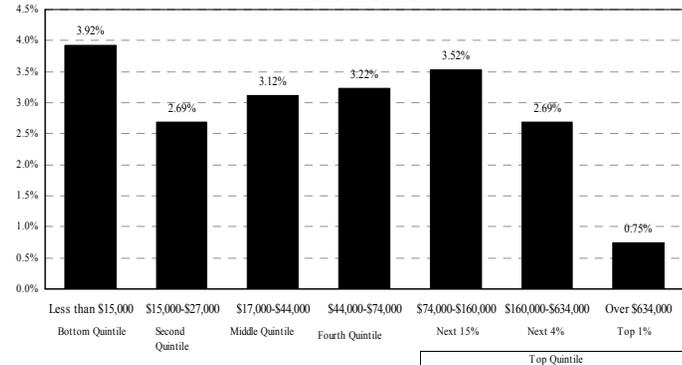
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Effective New York State and Local Tax Burdens by Income Range



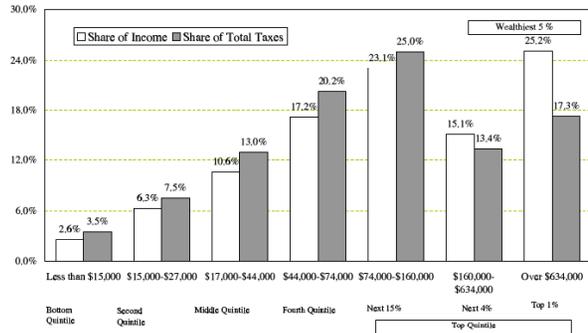
Source: Institute on Taxation and Economic Policy, 2003
2002 data for 2000 income levels, including Federal offset

Residential property tax as a percent of income before federal and state income tax offsets.



Source: Institute for Taxation & Economic Policy, 2003. Table shows 2002 tax law at 2000 income levels for nonelderly taxpayers

Taking federal deductibility into consideration, the wealthiest 5% of New York families have over 40% of the income but less than 31% of the tax burden.

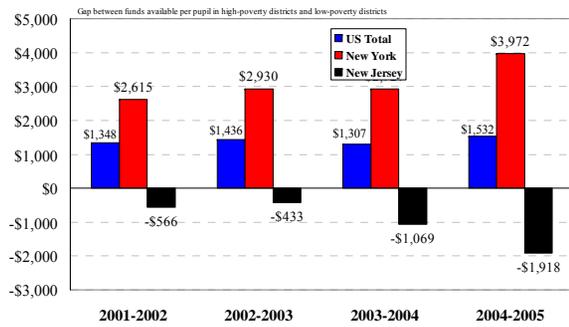


Source: Institute for Taxation & Economic Policy, 2003. Table shows 2002 tax law at 2000 income levels for nonelderly taxpayers, after federal offset. The percentages for the seven income groups add to 100%.

But some New Yorkers are paying well over 10, 20 and even 25 percent of their income just on property taxes

	Rest of State	Real Estate Taxes Paid				Total
		Below \$1,000	\$1,000 to \$5,000	\$5,000 to \$9,999	\$10,000	
INCOME	less than \$100	2,220	5,219	611	24	8,074
	\$100 to \$25,000	94,193	164,355	18,508	1,295	278,351
	\$25,000 to \$50,000	94,957	320,733	37,292	1,575	454,557
	\$50,000 to \$75,000	46,024	275,623	57,030	2,305	380,982
	\$75,000 to \$100,000	18,416	168,007	62,639	3,086	252,148
	\$100,000 to \$150,000	7,505	120,072	72,484	6,769	206,830
	\$150,000 to \$200,000	989	21,473	24,831	4,486	51,779
	\$200,000 to \$250,000	1,109	7,033	9,350	2,798	20,290
	Above \$250,000	541	6,067	12,188	5,872	24,668
	Total	265,954	1,088,582	294,933	28,210	1,677,679

At the same time, the poorest districts are receiving a good deal less in funding. New York has the largest gap between the resources available in high-poverty and low-poverty school districts of any state in the nation.



Source: The Education Trust, "The Funding Gap 2007" January 17, 2008