***Testimony of Frank Mauro, Executive Director, Fiscal Policy Institute presented to the Senate Finance and Assembly Ways & Means Committees, Public Hearing on the 2012-2013 Executive Budget, February 6, 2012.***

Thank you very much for the opportunity to present this testimony on the tax implications of the 2012-2013 Executive Budget. I will touch briefly on the need for corporate tax reform but the bulk of my testimony deals with property taxes.

**New York's corporate income tax system needs to be reformed.**

New York State's corporate income taxes have become more and more like Swiss cheese as more and more tax breaks have been added to the tax code in the name of economic development. Ironically, beginning in 1994, more tax breaks have been added to the state's corporate Alternate Minimum Tax, which was established in 1987 to ensure that profitable corporations made at least some contribution to the cost of government services. The result of these developments is that general business corporations have gone from carrying 9.6% of New York State's tax load in the 1970s to 4.3% last year. New York State should repeal or reform corporate tax breaks that are not creating jobs and not allow any tax breaks in the calculation of corporations' Alternate Minimum Tax obligations. .

The Swiss cheese nature of New York State's corporate income taxes is also demonstrated by the most recent data on state and local government finances from the U.S. Bureau of the Census. The Census Bureau tabulations show that in 2008-09, New York City's corporate income tax collections were actually greater than New York State's ($6.03 billion vs. $4.43 billion). And, the collections attributed to the state include the proceeds from the 17 percent surcharge on the portion of corporations' tax liabilities attributable to activities in the Metropolitan Transportation Authority service area.

**New York's new property tax cap will undercut the quality of education and basic municipal services without providing needed relief to households overburdened by high property taxes.**

The property tax cap enacted last year has the potential to do significant damage to the quality and adequacy of public education and basic municipal services over the next several years **without** providing meaningful relief to those New York households that are most overburdened by property taxes. A real solution requires

(1) amendments to the property tax cap law with particular emphasis on the elimination of the fundamentally undemocratic super-majority requirement;
(2) a targeted middle-class circuit breaker credit that helps those households that are significantly overburdened by property taxes through no fault of their own; and
(3) gradual but steady reductions in the share of the costs of elementary and secondary education, Medicaid and basic municipal services that are currently required to be covered by property taxes.

The Massachusetts' experience with Proposition 2½ is frequently pointed too as evidence that a property tax cap can be implemented without disastrous consequences but (1) the implementation of the Massachusetts cap was accompanied by substantial increases in state aid; and (2) since 1987, Massachusetts has required a simple majority to override its property tax cap or to approve the funding of capital projects outside the cap.

For New York's cities, towns and villages, the outlook is dire. While these providers of basic municipal services are covered by a cap that is much more rigid than the Massachusetts cap, this year's Executive Budget alerts them to the fact that the administration's intention is for years of virtually flat funding of general purpose aid – what used to be called "revenue sharing" and what is now called Aid and Incentives for Municipalities or AIM. For the cap to work, AIM must be increased on a regular basis.

For New York's school districts, the proposed increase in state aid that can be used in budgeting for the 2012-13 school year is much less than the promised 4.1% increase. Under the Executive Budget, $250 million or 31% of the promised increase would be reserved for competitive grants. The remaining $555 million would be targeted to high need districts, which makes sense, but that will leave many average need and low need districts with miniscule aid increases (and actual decreases in some cases) in the face of a property tax cap that can only be overridden by a 60% majority in a public referendum. This will make the vote of a school budget opponent worth 50% more than the vote of a school budget supporter. It is essential (1) that the super-majority vote requirement be repealed before it has disastrous consequences for the quality of education throughout the state; and (2) that the $250 million be returned to the regular school aid distribution.

For New York's counties, the prospect is for some real relief through the state government's assumption of a greater portion of the non-federal share of Medicaid costs. But the approach that is being proposed does not address the great mismatches that exist between (1) counties' Medicaid costs, and (2) the strength of their local tax bases. Governor Cuomo frequently points to the fact that many Upstate counties have among the nation's highest property tax rates relative to home values but his proposal does not address this "problem." The most direct way to reduce the high property tax rates relative to home values in many Upstate counties would be by providing additional relief to those counties whose Medicaid costs are high relative to the strength of their property tax bases. See the attached graphs on this subject.

**New York needs well-targeted property tax relief for households that are overburdened through no fault of their own.**

While it is important for the state government to reduce the pressure that it places on the property tax based by increasing its revenue sharing with cities, towns and villages; increasing the state share of the cost of a sound, basic education, and additional targeted Medicaid relief, there will still be hundreds of thousands of New Yorkers whose property taxes will represent an inordinate share of their income – through no fault of their own. The only cost-efficient and cost-effective way to address this problem is through a targeted middle class circuit breaker credit.

An analysis of the US Census Bureau's American Community Survey (ACS) microdata confirms that hundreds of thousands of low, moderate and middle income families in New York State are already paying an inordinate share of their income in property taxes on their primary residences. The situation in which these families find themselves will not be addressed by New York's cap on the growth of local governments' property tax levies. Only a middle-class Circuit Breaker bill can provide effective relief for these families in a targeted and cost-efficient manner.

In his advocacy for the property tax cap, Governor Cuomo uses a number of median values from the same Census Bureau survey—that is, he used summary data. It is possible to take a more thorough look using the Public Use Microdata available from the Census Bureau, which provides a sample of the actual responses to the ACS. This microdata allows researchers to prepare customized tabulations that can be used for more detailed analysis.

Our analysis of the ACS microdata focuses on the 2.1 million home-owning households in New York State that, in 2009:

(a) Met the 5-year residency requirements of the middle-class Circuit Breaker bills introduced in the Senate and Assembly,[1] and
(b) Had incomes of $100,000 or less.

Overall, 32 percent of these 2.1 million households reported paying more than ten percent of their income in property taxes. That's over 675,000 households.

Not surprisingly, the lower the income range, the greater the percentage of households in the double-digit property tax category. In particular:

- In the $50,000 to $100,000 income range, 18 percent of the households meeting the 5-year residency requirement paid more than ten percent of their income in property taxes. This represented about 185,000 households.
- In the $25,000 to $50,000 income range this percentage was 35 percent. This represented about 220,000 households.
- In the $25,000 and less income range, 64 percent or almost two-thirds of the home-owning households paid more than ten percent of their income in property taxes. This represented over 270,000 households. And about 170,000 of these households had property tax bills that represented 20 percent or more of their income.

These are the households—paying as they are such an inordinate share of their income in property taxes—that are most in danger of being forced out of their homes. A cap on the growth in property tax levies does not address the problems that these families face. A targeted middle class Circuit Breaker does.

The ACS is a survey of households that is conducted annually by the Census Bureau. This annual survey has, in effect, replaced what used to be the "long form" of the decennial census. The ACS began in 2000 in 31 test sites around the country. It was expanded in 2002 to cover most areas with a population of 250,000 or more, and selected areas of 65,000 or more; in 2005 to cover most areas with a population of 65,000 or more; and in 2007 to cover virtually all areas in the United States with populations of 65,000 or more. The Census Bureau has also pooled the survey results for three-year

periods beginning with the 2005 through 2007 period and publishes the results for these three-year periods for geographic areas of 20,000 or more. And, most recently, the Census Bureau has pooled the survey results for the five years from 2005 through 2009, and published the results for virtually all geographic areas including those not included in the one-year estimates and three-year estimates previously published.

In his PowerPoint presentations, Governor Cuomo frequently cites Tax Foundation calculations and rankings of data related to residential property taxes. The Tax Foundation's calculations and rankings, in turn, are based on data from the ACS.

For its calculations and rankings, the Tax Foundation utilizes three estimates published by Census Bureau on the basis of the ACS responses of sampled households:

(a) Median real estate tax paid on owner-occupied housing units;
(b) Median value of owner-occupied housing units; and
(c) Median household income of the households that live in owner-occupied housing units.

The Tax Foundation then calculates two additional estimates:

(d) "Taxes as a Percent of Home Value" by dividing (a) by (b), and
(e) "Taxes as Percent of Income" by dividing (a) by (c).[2]

Some users of the Tax Foundation's calculations refer to data elements (d) and (e) as median effective tax rates. This, however, is not the case. As the Tax Foundation explains in its "Frequently Asked Questions about the Tax Foundation's Property Tax Statistics" (http://interactive.taxfoundation.org/propertytax/FAQ.html): "…the two statistics that are calculated by the Tax Foundation (tax as a percentage of home value and tax as a percentage of homeowner income) are not exact median statistics themselves given that it's possible for one with a higher income to pay smaller real estate taxes than a lower income person…" Not only is this possible but it is quite common; and, even more common is the fact that higher income households, on average, pay a smaller percentage of their income in property taxes than do lower income households.

Fortunately, this variation can be explored and analyzed since the Census Bureau, in addition to publishing its estimates of the median values of variables like real estate taxes paid, also makes what is called "microdata" available for public use. The "Public Use Microdata Sample" files, or PUMS, are a sample of the actual responses to the American Community Survey and include most population and housing characteristics. These files provide users with the flexibility to prepare customized tabulations and can be used for detailed research and analysis. (These) files have been edited to protect the confidentiality of all individuals and of all individual households."[3]

While comparing the Census Bureau's estimate of median real estate taxes paid by New York's home-owning households to the median income of those households allows the Tax Foundation to calculate its "taxes as a percent of income" estimate of 5.02 percent for 2009,[4] an analysis of the microdata made available by the Census Bureau allows us to see how much variation there is around this 5.02 percent figure. And our analysis of that data confirms that hundreds of thousands of New Yorkers are paying double-digit percentages of their income in property taxes.

# Over 675,000 New York Households Pay 10% or More of Their Income in Property Taxes. A Quarter Million Pay 20% or More.

| Households Income Ranges | Estimated Number of Households Whose Property Taxes Paid in 2009 Were: | | | | Total Number of Households in Income Range |
|---|---|---|---|---|---|
| | Less Than 10% of Income | 10% to 19.99% of Income | 20% or More of Income* | 10% or More of Income | |
| $25,000 or Less | 150,496 | 101,851 | 170,472 | 272,323 | 422,819 |
| Above $25,000 but Not Above $50,000 | 404,899 | 149,117 | 71,124 | 220,241 | 625,140 |
| Above $50,000 but Not Above $100,000** | 859,739 | N/A | N/A | 184,423 | 1,044,162 |
| TOTAL: All $100,000 or Less | 1,415,134 | 354,043 | 241,596 | 676,987 | 2,092,121 |

SOURCE: Fiscal Policy Institute analysis of microdata from the US Census Bureau's 2009 American Community Survey. Estimates shown are for homeowning households that meet the 5 year residency requirement in the Galef/Little and Krueger/Engelbright Circuit Breaker bills.

*This column for the $25,000 or less income category includes 15,945 households with zero or negative income that paid property taxes in 2009. **The subtotal of all households in this income range that reported paying 10% or more of income in property taxes in 2009 includes (a) 103,075 households that paid between 10% and 19.99% of income in property taxes; and (b) 81,348 additional househlds that paid $10,000 or more in property taxes but who, because of top coding of the ACS question on real estate taxes, can not be apportioned between the "10% to 19.99% of income" property tax category and the "20% or more of income" property tax category.

# Nearly Half of New York Households with Incomes of $50,000 or Less Pay 10% or More of Their Income in Property Taxes.

| Households Income Ranges: | Estimated Share of Households Whose Property Taxes Paid in 2009 Were: | | | |
|---|---|---|---|---|
| | Less Than 10% of Income | 10% to 19.99% of Income | 20% or More of Income* | 10% or More of Income |
| $25,000 or Less | 36% | 24% | 40% | 64% |
| Above $25,000 but Not Above $50,000 | 65% | 24% | 11% | 35% |
| Above $50,000 but Not Above $100,000** | 82% | N/A | N/A | 18% |
| TOTAL: All $100,000 or Less | 68% | N/A | N/A | 32% |

SOURCE: Fiscal Policy Institute analysis of microdata from the US Census Bureau's 2009 American Community Survey. Estimates shown are for homeowning households that meet the 5-year residency requirement in the Galef/Little and Krueger/Engelbright Circuit Breaker bills.

*This column for the $25,000 or less income category includes 15,945 households with zero or negative income that paid property taxes in 2009.
**The subtotal of all households in this income range paying 10% or more of income in property taxes in 2009 includes (a) 103,075 jouseholds that paid between 10% and 19.99% of income in property taxes; and (b) 81,348 househlds that paid $10,000 or more in property taxes and who, because of top coding, can not be apportioned between the "10% to 19.99% of income" property tax category and the "20% or more of income" property tax category.

**New York's new property tax cap is more restrictive than Massachusetts' Proposition 2½**

Supporters of New York's new property tax cap argue that Massachusetts' experience with Proposition 2½ is proof that a cap such as the new New York cap can be implemented without hurting the quality of education or the adequacy of basic municipal services.

The truth is that New York's new cap on property tax growth is far more restrictive than the growth cap that has been in place in Massachusetts for the past quarter century. This is readily shown by an analysis of Census Bureau and Massachusetts Department of Revenue data together with a review of the Massachusetts law and the New York legislation.

If a hard cap of the lesser of 2 percent or the rate of inflation, with no overrides, had been in effect in Massachusetts since 1982-1983 (the second year of Proposition 2½), that state's property tax revenue in 2009-2010 would have been about 60 percent less than it actually was. What would that have meant?

- Between 1981-1982 and 2009-2010 total real property tax revenue in Massachusetts increased from $2.8 billion to $12 billion. If a hard cap of the lesser of 2 percent or the rate of inflation, with no overrides, had actually been in place in Massachusetts during this period, total property tax revenue in that state in 2009-2010 would have been $4.83 billion rather than the actual amount of $12 billion. That's a reduction of $7.2 billion or 60 percent.

- With such a 60 percent reduction in available resources, local governments in Massachusetts would not have been able to provide anywhere near the level of educational and other public services that they have actually provided.

This 60 percent reduction isn't the difference between the impact of a 2 percent cap and a 2.5 percent cap. Rather, it is the difference between a 2 percent cap and the actual experience in Massachusetts since 1981-1982. Over the course of this 28-year period, the annual growth in property tax revenue has averaged a little less than 5.5 percent per year. This is obviously higher than 2.5 percent but it is not excessive. In fact, between 1981-1982 and 2007-2008, the latest year for which comparable data is available from the Census Bureau for all 50 states, Massachusetts went from 13th to 17th among the states in terms of total property tax revenue as a percentage of total personal income.

Some advocates might say that it is good that New York now has a more restrictive cap than massachusetts. But that is inconsistent with the argument that the Massachusetts experience proves that a property tax cap can be implemented without undercutting the quality of public education. Quite simply, Massachusetts couldn't have the educational outcomes that it has if local property tax revenues were 60 percent less than they actually are.

So why has the actual rate of growth in Massachusetts been so much higher than the nominal cap (i.e., 5.5 percent compared to 2.5 percent)? The answer is that the

Massachusetts cap is less restrictive than New York's new cap in a number of important ways.

1. The New York cap requires school districts to secure a super majority of 60 percent of the voters for the approval of an override but, since 1987, Massachusetts has required a simple majority of the electorate for the approval of overrides of its growth cap. The 60 percent super majority requirement makes the votes of those who support an override much less powerful than the votes of those who oppose an override. Under the new New York law, even if 59 percent of the electorate supports an override, it would be deemed disapproved. Moreover, as a result of a little discussed "kicker" in the New York law, if a second referendum (or, a first referendum, without a re-vote) on an override does not secure a 60 percent favorable vote, the default is to the prior year's tax levy not to the 2 percent levy growth limit.

2. The Massachusetts and New York laws are very different from each other in terms of the wording and structure of the override questions. The New York law requires that the question be phrased in a confrontational, negative way:

   > "Adoption of this budget requires a tax levy increase of _____ which exceeds the statutory tax levy increase limit of _____ for this school fiscal year and therefore exceeds the state tax cap and must be approved by sixty percent of the qualified voters present and voting."

   The required wording of override questions under the Massachusetts law is straight forward and unbiased:

   > "Shall the (city/town) of _____ be allowed to assess an additional $_____ in real estate and personal property taxes for the purposes of (state the purpose(s) for which the monies from this assessment will be used) for the fiscal year beginning July first _____?"

3. The Massachusetts law allows multiple override questions on the same ballot and even allows multiple override options of different amounts for the same purpose with the highest approved amount for a purpose prevailing. A study of Proposition 2½ by a Federal Reserve Bank of Boston economist concluded that "Approaches such as these allow voters much more direct control over the local budget than do all-or-nothing votes on a sizable percentage increase in the levy limit. While local officials still control the proposals that appear on the ballot, they (obviously) cannot control which ones the voters approve or vote down, and as a result they have less discretion in making spending decisions after the vote is taken, no matter what the voters enact. Thus offering the voters more choice shifts some power from local officials to the voters."

4. Under the Massachusetts' law, each locality's "levy limit" automatically increases by 2.5 percent each year, without any "use it or lose it" proviso. In addition, the value of overrides (but not debt exclusions) in Massachusetts are added to a locality's levy limit and then increased by the same 2.5 percent increase in subsequent years as the original levy limit. The New York law established an annual cap with only a limited carry over allowed.

The Massachusetts experience does not support the claim that a cap of 2 percent (or the rate of inflation if it is less) on the growth in property tax levies is workable let alone desirable. The New York cap is very likely to undermine the quality of the entire array of locally-funded public services while providing very little relief, if any, to those homeowners who are most overburdened by real property taxes. New York can learn from the Massachusetts experience, but not if it ignores the reality of that experience.

**If Massachusetts had had a hard cap of 2 percent (or the rate of inflation, if lower) in force since 1981-1982 (with no overrides), its property tax revenue last year would have been about 60 percent less than it actually was.**

| Fiscal Year | Property Tax Revenue, in Thousands of Dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Actual Experience | | | | | If capped at lesser of 2% and rate of inflation since 1981-1982 (with no overrides) | | |
| | Property Tax Revenue as Reported by US Bureau of the Census (a) | | Property Tax Levy as Reported by Massachusetts Department of Revenue (b) | | Average of Three Data Sources | Estimated Total | Estimated Shortfall | |
| | Total | Minus Personal Property Tax on Motor Vehicles | From "Excess Levy Capacity" Tables | From "Levies by Class" Tables | | | $ | % |
| 1979 - 1980 | 3,183,499 | 2,917,387 | | | 2,917,387 | 2,917,387 | | |
| 1980 - 1981 | 3,370,501 | 3,209,959 | | | 3,209,959 | 3,209,959 | | |
| 1981 - 1982 | 2,916,366 | 2,803,905 | | | 2,803,905 | 2,803,905 | | |
| 1982 - 1983 | 3,017,948 | 2,892,288 | | | 2,892,288 | 2,859,983 | (32,305) | -1.1% |
| 1983 - 1984 | 3,094,499 | 2,946,690 | | | 2,946,690 | 2,917,183 | (29,508) | -1.0% |
| 1984 - 1985 | 3,305,050 | 3,120,642 | | 3,126,008 | 3,123,325 | 2,975,526 | (147,799) | -4.7% |
| 1985 - 1986 | 3,504,782 | 3,262,919 | 3,200,941 | 3,309,379 | 3,257,746 | 3,035,037 | (222,709) | -6.8% |
| 1986 - 1987 | 3,751,095 | 3,526,387 | 3,536,291 | 3,536,291 | 3,532,989 | 3,095,738 | (437,252) | -12.4% |
| 1987 - 1988 | 4,067,796 | 3,800,871 | 3,800,768 | 3,804,782 | 3,802,140 | 3,153,279 | (648,861) | -17.1% |
| 1988 - 1989 | 4,395,298 | 4,058,045 | 4,066,422 | 4,122,105 | 4,082,191 | 3,216,345 | (865,846) | -21.2% |
| 1989 - 1990 | 4,677,758 | 4,393,055 | 4,464,634 | 4,464,634 | 4,440,774 | 3,280,672 | (1,160,103) | -26.1% |
| 1990 - 1991 | 4,976,097 | 4,690,754 | 4,775,255 | 4,775,255 | 4,747,088 | 3,346,285 | (1,400,803) | -29.5% |
| 1991 - 1992 | 5,255,671 | 4,974,187 | 5,017,706 | 5,017,706 | 5,003,199 | 3,413,211 | (1,589,989) | -31.8% |
| 1992 - 1993 | 5,497,033 | 5,176,851 | 5,249,676 | 5,249,676 | 5,225,401 | 3,481,475 | (1,743,926) | -33.4% |
| 1993 - 1994 | 5,948,686 | 5,641,279 | 5,463,873 | 5,464,414 | 5,523,189 | 3,551,105 | (1,972,084) | -35.7% |
| 1994 - 1995 | 6,319,738 | 5,938,243 | 5,701,066 | 5,701,066 | 5,780,125 | 3,622,127 | (2,157,999) | -37.3% |
| 1995 - 1996 | 6,475,097 | 6,093,559 | 5,920,694 | 5,920,694 | 5,978,316 | 3,694,569 | (2,283,747) | -38.2% |
| 1996 - 1997 | 6,612,515 | 6,199,389 | 6,160,185 | 6,160,185 | 6,173,253 | 3,768,461 | (2,404,792) | -39.0% |
| 1997 - 1998 | 6,981,120 | 6,511,854 | 6,455,893 | 6,455,893 | 6,474,546 | 3,843,830 | (2,630,717) | -40.6% |
| 1998 - 1999 | 7,300,559 | 6,827,591 | 6,753,086 | 6,753,086 | 6,777,921 | 3,920,706 | (2,857,215) | -42.2% |
| 1999 - 2000 | 7,642,521 | 7,108,438 | 7,103,557 | 7,103,557 | 7,105,184 | 3,981,777 | (3,123,408) | -44.0% |
| 2000 - 2001 | | | 7,520,051 | 7,520,052 | 7,520,052 | 4,061,412 | (3,458,640) | -46.0% |
| 2001 - 2002 | 8,721,832 | 8,111,898 | 8,003,918 | 8,003,918 | 8,039,912 | 4,142,640 | (3,897,271) | -48.5% |
| 2002 - 2003 | | | 8,494,021 | 8,494,021 | 8,494,021 | 4,225,493 | (4,268,528) | -50.3% |
| 2003 - 2004 | 9,814,315 | 9,178,488 | 9,016,234 | 9,016,234 | 9,070,319 | 4,292,299 | (4,778,019) | -52.7% |
| 2004 - 2005 | 10,341,126 | 9,657,958 | 9,483,455 | 9,483,455 | 9,541,623 | 4,378,145 | (5,163,477) | -54.1% |
| 2005 - 2006 | 10,828,955 | 10,134,696 | 9,983,138 | 9,983,137 | 10,033,657 | 4,465,708 | (5,567,949) | -55.5% |
| 2006 - 2007 | 11,041,925 | 10,405,039 | 10,488,786 | 10,488,784 | 10,460,870 | 4,555,022 | (5,905,847) | -56.5% |
| 2007 - 2008 | 11,664,990 | 10,978,198 | 10,992,118 | 10,992,118 | 10,987,478 | 4,646,123 | (6,341,355) | -57.7% |
| 2008 - 2009 | | | 11,552,794 | 11,552,794 | 11,552,794 | 4,739,045 | (6,813,749) | -59.0% |
| 2009 - 2010 | | | 12,024,477 | 12,024,477 | 12,024,477 | 4,833,826 | (7,190,651) | -59.8% |
| **Average Annual Growth Rate** | 5.48% | 5.39% | 5.67% | 5.54% | 5.34% | 1.96% | | |
| **Cumulative Reduction in Revenue Compared to Actual Experience** | | | | | | | (79,094,546) | |

Notes: The actual revenue data is from (a) the Governments Division of the US Census Bureau via the Tax Policy Center data base; and (b) the "Data Bank Reports" of the Division of Local Services of the Massachusetts Department of Revenue. Sources for (a): Total http://slfdqs.taxpolicycenter.org/pages.cfm; Minus Personal Property Tax on Motor Vehicles http://www.mass.gov/Ador/docs/dls/mdmstuf/PropertyTax/mvexcisestatetotals.xls. Sources for (b): From "Excess Levy Capacity" Tables http://www.mass.gov/Ador/docs/dls/mdmstuf/Prop2_LevyCap_RefVotes/excpstatetotals.xls; From "Levies by Class" Tables http://www.mass.gov/Ador/docs/dls/mdmstuf/PropertyTax/lvclstatetotals.xls. The hard cap calculations are by the Fiscal Policy Institute (FPI) using national Consumer Price Index data from the US Bureau of Labor Statistics. The Census Bureau did not publish local government financial data for 2000-2001 or 2002-2003. The "Average Annual Growth Rates" are for the years since the earliest year since 1981-1982 for which data for the measure involved is available to the most recent year for which such data is available.

Endnotes

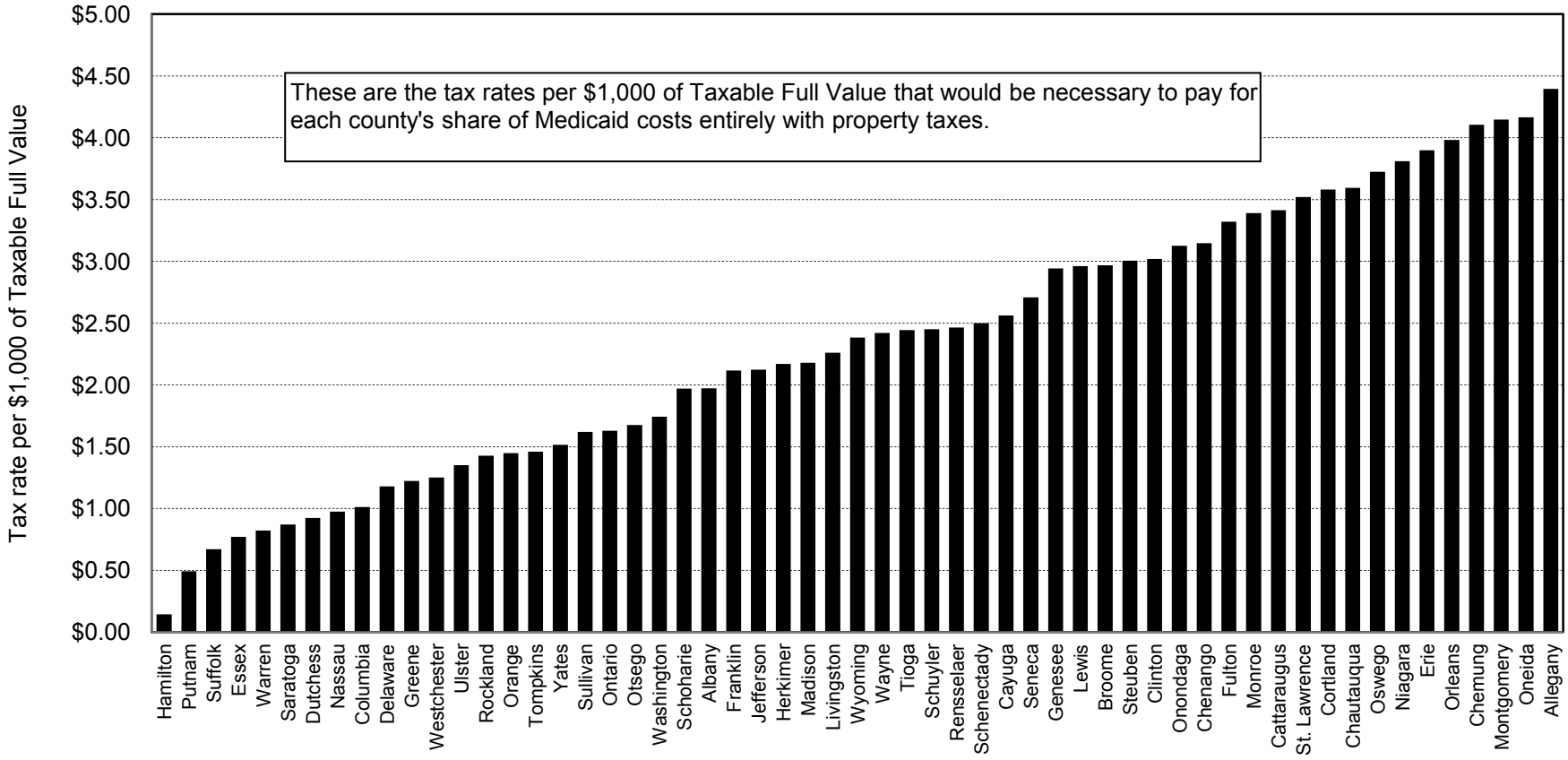
[1] These bills include A877/S137 by Assemblywoman Galef and Senator Little; A5542A/S912A by Assemblyman Engelbright and Senator Krueger; A1912/S1796 by Assemblyman Jeffries and Senator Montgomery; and A7673/S4171 by Assemblywoman Jaffee and Senator Bonacic.

[2] The Tax Foundation also does rankings of both states and counties based on each of these two calculated variables and on the basis of the Census Bureau data on median real estate taxes. These calculations and rankings are available on the Tax Foundation's website for states for the 1-year ACS data for each of the six years from 2004 through 2009; and for counties for the 1-year ACS data for each of the five years from 2005 through 2009, for the 3-year ACS data for each of the three 3-year periods for which the Census Bureau has made the results of this pooled data available (2005 through 2007, 2006 through 2008, and 2007 through 2009).

[3] http://factfinder.census.gov/home/en/acs_pums_2009_1yr.html. More information on the ACS microdata is available at: http://www.census.gov/acs/www/data_documentation/public_use_microdata_sample/.

[4] http://www.taxfoundation.org/taxdata/show/1913.html. For 2009, New York State, according to the Tax Foundation's calculations, had the sixth highest "taxes as a percent of income" (5.02%) after New Jersey (7.45%), New Hampshire (6.34%), Vermont (5.55%), Connecticut (5.51%), and Illinois (5.11%). These measures provide a good example of the selective use of the Tax Foundation's calculations in Governor Cuomo's PowerPoint presentations. The version of "The People First Campaign" PowerPoint presentation that is posted on the Governor's website at http://governor.ny.gov/sites/default/files/PeopleFirstTourPowerPoint-5103pmfinal.pdf asserts that New York's property taxes are the "highest in the nation" and cites a number of Tax Foundation calculations to "prove" that point. Notably, the Governor's presentation omits the fact that the Tax Foundation ranks New York State 6th in terms of "taxes as a percent of income;" 4th in terms of "median property taxes paid on homes;" and 17th in terms of "taxes as a percent of home value." But debating whether New York has the highest property taxes in the country or the 4th or 6th or 17th highest misses the essential problem with the property tax system—that hundreds of thousands of New York families are paying inordinate portions of their incomes in property taxes.

# Great disparities exist among the state's counties in their "ability to pay" for the local share of Medicaid. The cap on the growth of county Medicaid costs has exacerbated these inequities.




Sources: Fiscal Policy Institute analysis of data from the New York State Department of Health; and the Office of the (New York) State Comptroller.

# There is a very strong correlation between (1) counties' Medicaid costs relative to the strength of their tax bases and (2) high residental property tax bills as a percentage of home values.