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May 2023

Payroll Mobility Tax Exemption Disproportionately Burdens Non-White Workers

Workers of color to cover 69% more in MTA payroll tax after Enacted Budget exempts suburbs from tax increase

Exempting suburbs from the PMT increases tax burden on non-white workers by \$288 million

Governor Hochul's executive budget proposed a 0.16 percent increase in the Payroll Mobility Tax (PMT) throughout the MTA region (New York City, Long Island, and the lower and middle Hudson Valley). The PMT is an employer-side payroll tax dedicated to funding the MTA, and the Governor's proposed increase was intended to partially address the MTA's operating deficit.

The final budget agreement included an increased PMT rate, but exempted the suburbs (the non-NYC counties in the MTA region) from the tax increase. In order to make up for the revenue lost by excluding the suburbs, the top PMT rate in New York City will be increased from 0.34 percent to 0.6 percent (the initial proposal would have raised the rate to 0.5 percent). This change transfers the tax burden entirely onto business and workers in New York City.

In a [previous brief](#), FPI documented the New York City economy's central role in suburban economies, estimating that over half of local jobs are attributable to the city. Moreover, FPI's analysis found that the suburban share of PMT revenue is already commensurate with the operating costs and capital spending of the commuter rails. Narrowing the PMT base to New York City, therefore, is not justified by the region's economy or the MTA's cost structure.

Excluding the MCTD suburbs from a higher PMT tax also shifts the tax burden onto workers of color. New York City's workforce includes more Black, Asian, and Hispanic taxpayers than the suburbs, thus creating a shift in tax burden away from the more white suburbs and towards Black, Asian, and Hispanic people.

Research suggests that over half of the tax burden from a payroll tax falls on employees.¹ By examining the share of employees that are Black, Asian and Hispanic, we see who will be most impacted by an increase to the PMT. The data below show that the share of white workers in the suburbs is far greater than the share of white workers in the city. Under the original proposal, non-white workers would bear 52 percent of the tax increase borne by workers, whereas under the current proposal, they bear 64 percent. Moreover, the tax increase is 38 percent higher than originally proposed in order to exempt the suburban counties.

¹ <https://www.cbo.gov/publication/57089>

Figure 1. Place of work

	All MCTD	NYC	Suburbs
White	48%	36%	61%
Black	14%	19%	10%
Asian	11%	14%	7%
Hispanic	23%	26%	19%
Other/mult	4%	5%	3%

By exempting suburbs from the PMT increase, there will be a 25 percent decline in the share of white workers impacted by the tax, and a 36 percent increase in the share of Black workers impacted by the increase. Overall, there will be a 23 percent increase in the share of non-white workers impacted by this tax increase.

In dollar terms, the originally proposed PMT was projected to raise a total of \$800 million, with \$416 million coming from the payrolls of workers of color. The enacted law, which excludes the suburbs, raises \$704 million from the payrolls of workers of color, a \$288 million, or 69%, increase.

Figure 2. Share of employees affected by tax increase by race and proposal.

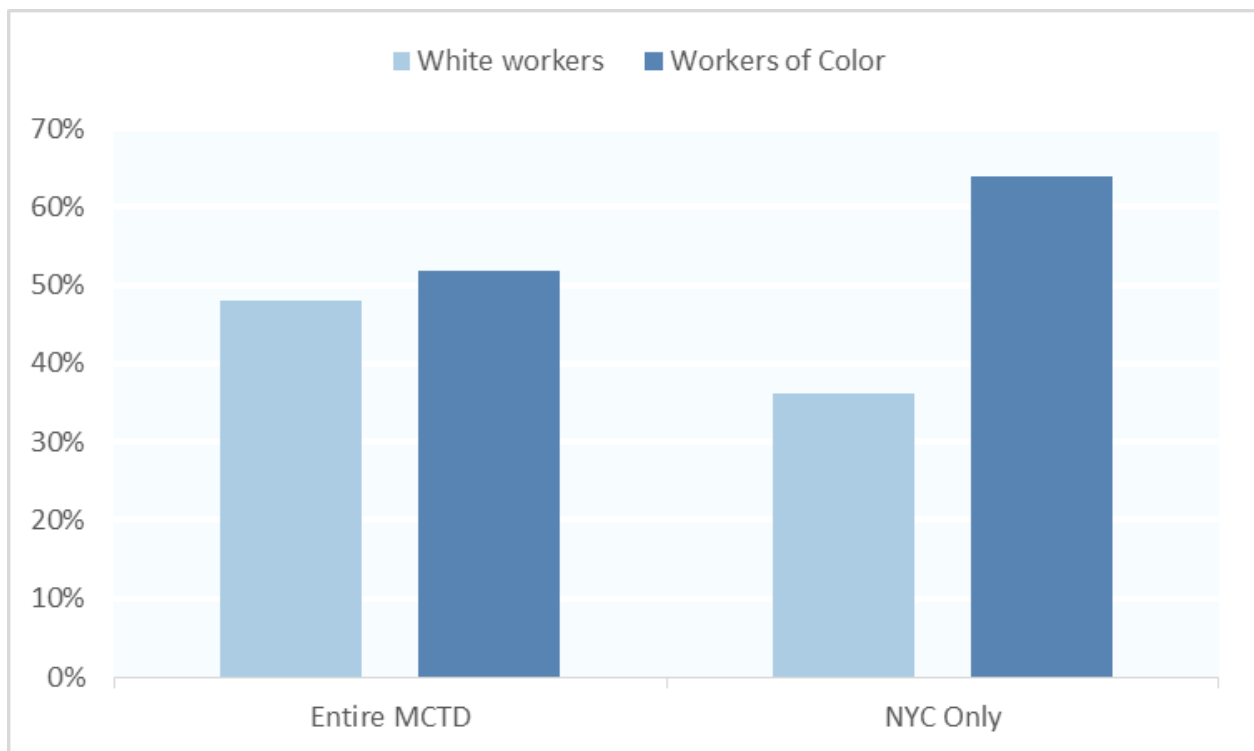


Figure 3. Taxes raised by employee race (millions of dollars)

	Proposal to raise PMT on entire MCTD		Raising PMT on NYC only (plus higher rate)		Change	
	\$	% of total	\$	% of total	\$	% change
White	\$384	48%	\$396	36%	\$12	3%
Black, Asian, Hispanic, Multi-racial, and Other	\$416	52%	\$704	64%	\$288	69%
Total Projected Revenue	\$800	–	\$1,100	–	\$300	–

Methodology

FPI's data comes from the American Community Survey 2021 public use samples. The sample includes currently employed residents living in the state of New York. As stated above, we look at each survey-participant's location of work and aggregate by race and ethnicity identifiers.