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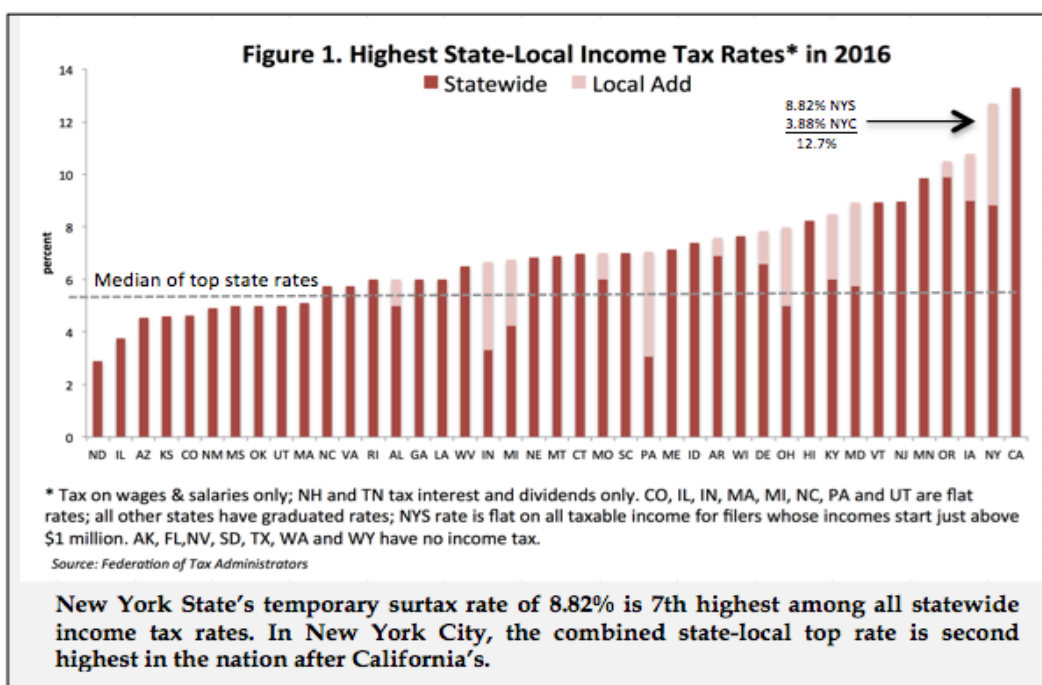
## Exploring NY's top-heavy PIT base

Nearly two-thirds of New York State's tax receipts are now generated by the personal income tax, or PIT, which relies disproportionately on the highest-earning one percent of New York taxpayers.

This paper presents charts and tables highlighting notable trends in state PIT data in light of proposals to extend or increase the state's so-called "millionaire tax," along with scheduled PIT rate reductions in tax brackets below the highest income levels.

Key points with a bearing on the income tax debate include the following:

- More of New York's wealthiest taxpayers are choosing to live in other states, thus minimizing their exposure to the higher millionaire tax. As of 2014, nonresidents were nearly half of all New York taxpayers with total incomes above \$1 million – and 59 percent of taxpayers in the more rarified \$10 million-and-above class.
- The percentage of New York residents and New York source income among all the U.S. income millionaires has not increased since the millionaire tax was enacted.
- New York is now more dependent than ever on PIT receipts – which in turn are disproportionately generated by the highest-earning 1 percent.
- Net capital gains in New York's PIT base have recovered nearly to pre-recession levels – tracking an increasingly volatile stock market.



**Table 1. The Coming “Middle Class Tax Cut”**

**New York State Personal Income Tax Schedule for Married-Filing Jointly**

2016 Tax Brackets <sup>1</sup>	1997 Law	2011 Law <sup>2</sup>	New Law - Tax Years							
			2018	2019	2020	2021	2022	2023	2024	2025
0 - 17,050	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
17,050 - 23,450	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
23,450 - 27,750	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%
27,750 - 42,750	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.85%	5.73%	5.61%	5.50%
42,750 - 160,500	6.85%	6.45%	6.33%	6.21%	6.09%	5.97%	5.85%	5.73%	5.61%	5.50%
160,500 - 321,050	6.85%	6.65%	6.57%	6.49%	6.41%	6.33%	6.25%	6.17%	6.09%	6.00%
321,050 - 2,140,900	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%
2,140,900 and over	6.85%	8.82%	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%

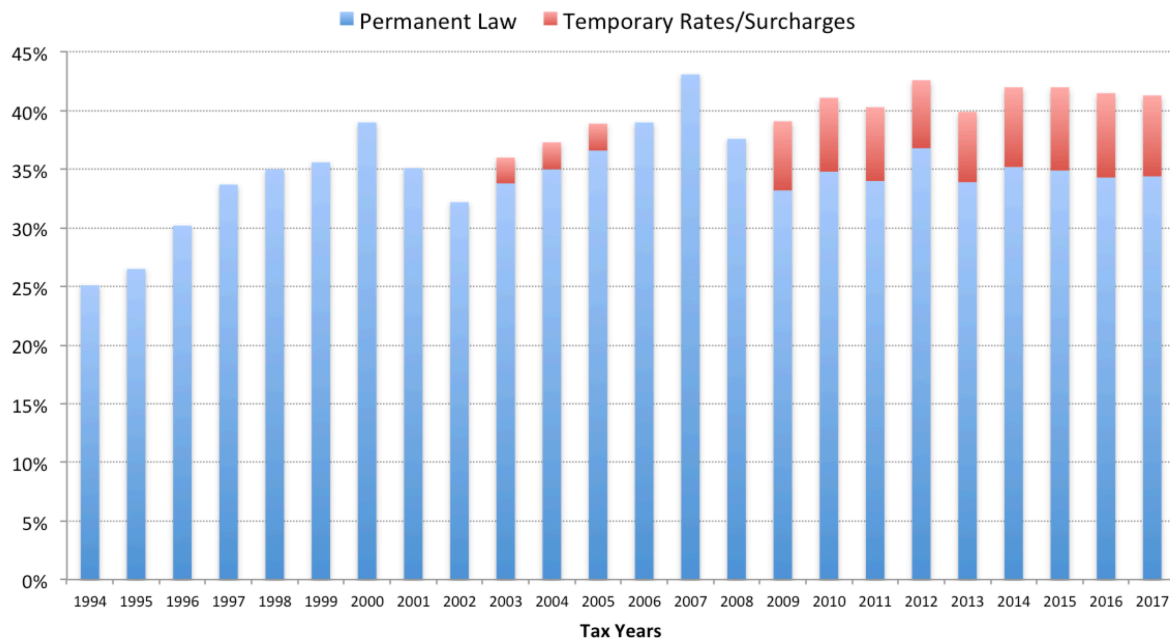
<sup>1</sup> Applies to taxable income after exemptions, deductions

<sup>2</sup> As extended in 2013, through 2017 tax years

Source: Executive Budget, FY 2017 Revenue Bill

Scheduled multi-year cuts in personal income tax rates will affect three brackets, ranging from taxable income of \$27,750 to \$321,050 (or half as much for single filers), as outlined in box above. Two brackets now subject to rates of 6.45% and 6.65% as of 2017 will be collapsed into a single 5.5% tax bracket by 2025. The fully implemented changes, assuming no extension of the millionaire tax, will leave the state with six PIT brackets and a top rate of 6.85%.

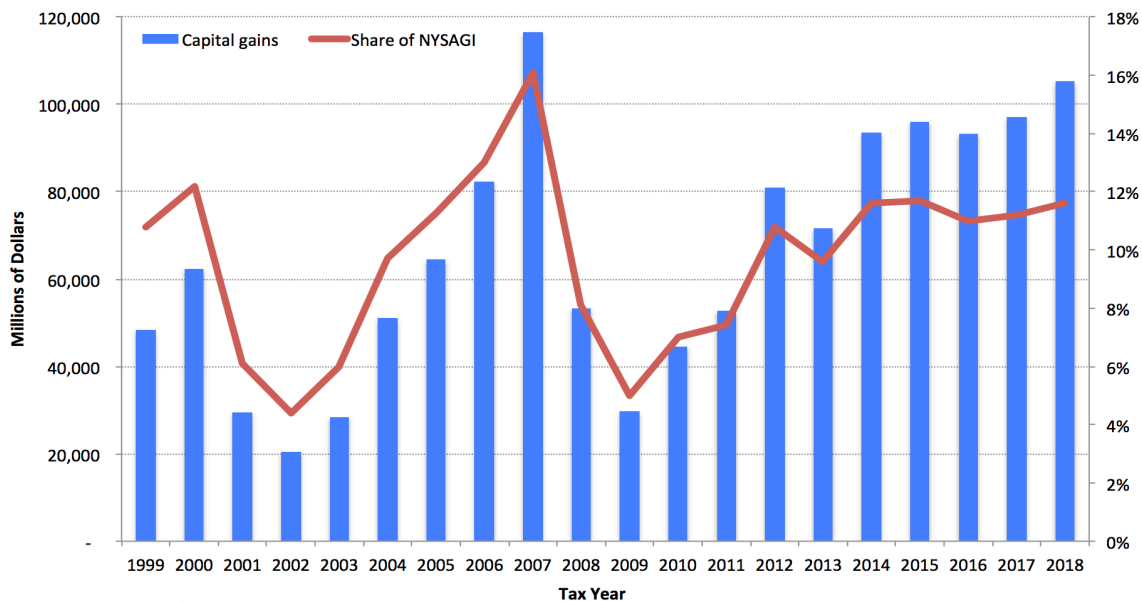
**Figure 2. Share of PIT Paid by Highest-Earning 1%**



Source: NYS Executive Budget, Economic and Revenue Outlook, Fys 2005-2018

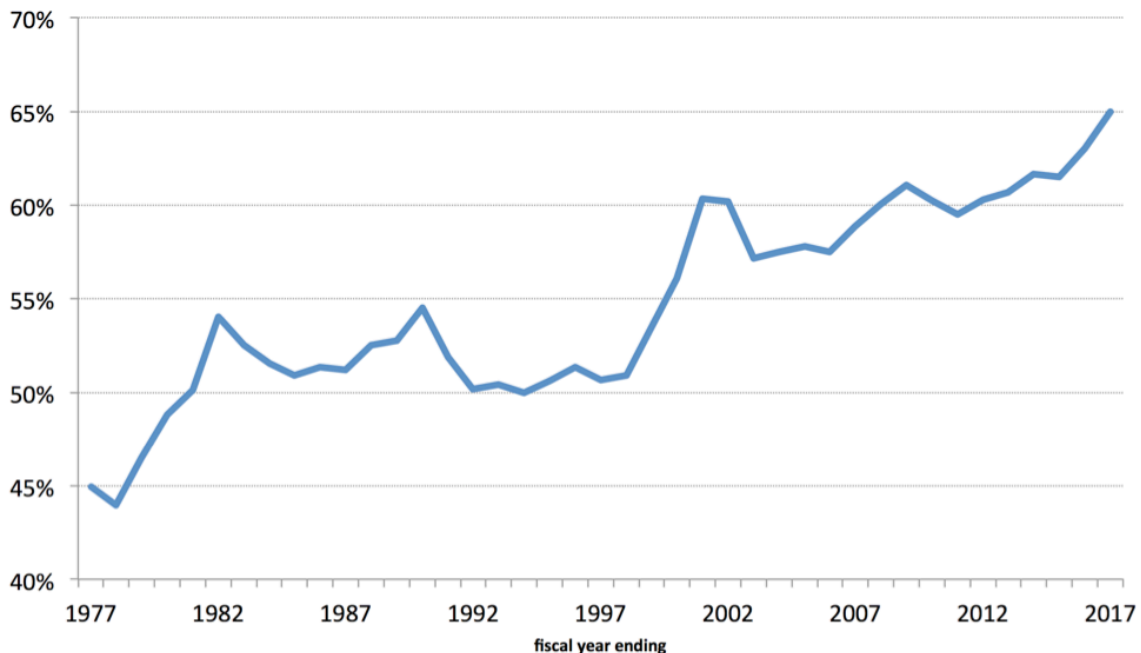
Including the millionaire tax, the highest-earning 1% of New York State taxpayers generate more than 40% of state PIT receipts. But even without added rates on higher incomes, the top 1% share has averaged around 35% since the Tax Reform Act was fully effective in 1997 – up from 25% when Gov. Mario Cuomo left office.

**Figure 3. NY's Capital Gains Roller Coaster**  
Net Capital Gains in Personal Income Tax Base, 1999-2018



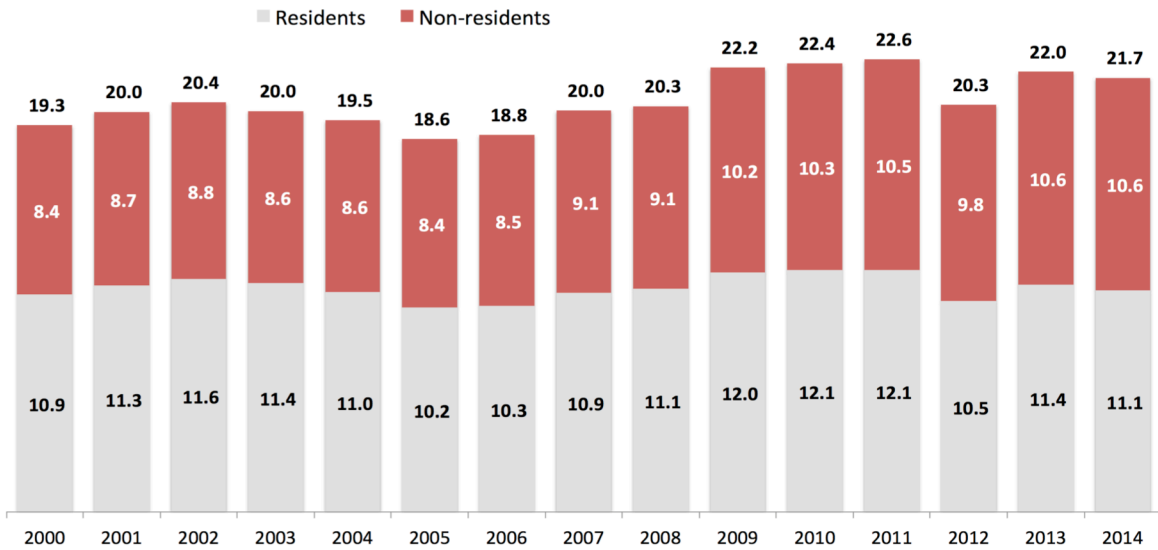
As shown in Figure 3, above, the share of New York personal income tax receipts attributed to net capital gains — heavily reflective of stock prices — has risen back to near-record highs. But as the historic trend shows, capital gains are also highly volatile. They crashed by 75% during the Great Recession, just a few years after falling by 66% during the 2001-03 downturn.

**Figure 4. PIT Share of All New York State Tax Receipts**



As shown in Figure 4, the personal income tax share of total New York State tax receipts has grown significantly over the past 40 years. In fiscal 2017, the state is more reliant than ever on the PIT, which is generating nearly two-thirds of total tax receipts—which, as shown in Figure 3, are in turn heavily influenced by stock market trends affecting net capital gains income.

**Figure 5. NYS Resident and Nonresident Taxpayers With Incomes\* > \$1 million  
As Percent of All US taxpayers > \$1 million**

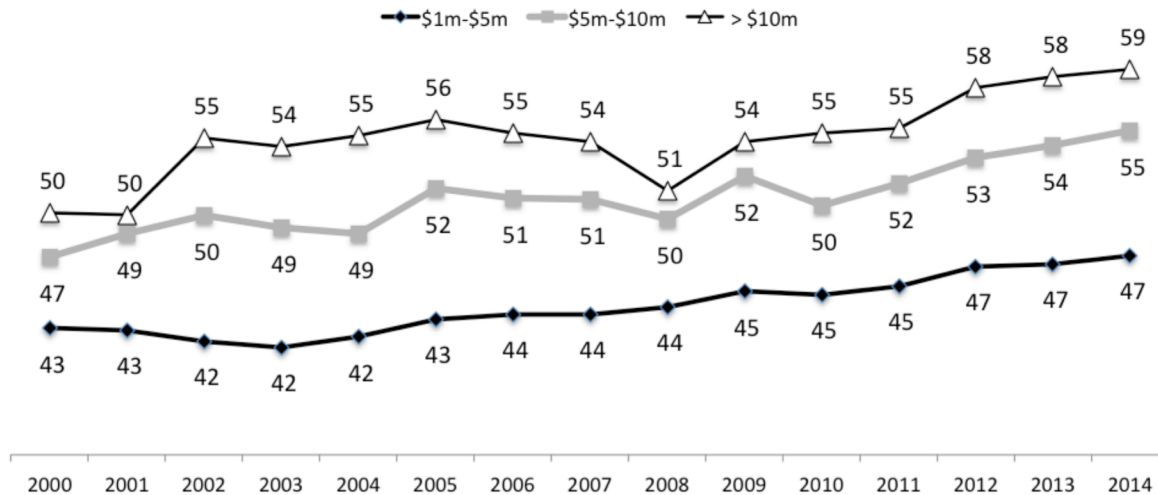


\* Federal adjusted gross income, before NY allocation

Source: Empire Center analysis of NYS Department of Taxation & Finance data and Internal Revenue Service data

As of 2014, Figure 5 shows, New York State residents comprised about 11% of the U.S. income millionaire total—unchanged from the level of 2008, the year before the state’s temporary millionaire tax was first imposed. But nonresident income millionaires owing some taxes to New York have grown from 9.1% to 10.6% of the national total.

**Figure 6. Full-Year Nonresident Share of High-Income NYS taxpayers  
percent of all NYS filers in federal adjusted gross income brackets**



Source: Empire Center analysis of New York State Department of Taxation and Finance data

Figure 6 shows how the nonresident share of income millionaires in New York’s PIT base has grown since the recession and initial enactment of the temporary millionaire tax. The greatest shift was in the highest income category—from 51% to 59% among earners of \$10 million or more from 2008 to 2014.

— E.J. McMahon