The $36 Billion Bonus
New York’s Gains from Federal Tax Cuts

E. J. McMahon
Senior Fellow,
The Manhattan Institute for Policy Research
EXECUTIVE SUMMARY

This paper provides an Empire State perspective on federal income tax cuts enacted since 2001. It estimates the resulting decrease in New Yorkers’ tax payments and describes the implications for New York of proposed future changes in federal tax policy.

Principal findings include:

• Through 2004, New York State’s share of the income tax cuts will total nearly $36 billion, including $15 billion in savings for New York City residents.

• In 2004 alone, New York State residents will save nearly $14 billion in federal income taxes, including nearly $6 billion in savings for City residents. This amounts to a 2.7 percent average boost in after-tax income.

• If all current tax cut provisions are made permanent, the additional savings for New Yorkers from 2005 through 2010 will total nearly $108 billion. This includes about $46 billion in projected savings for City residents.

In addition to direct savings for individuals, the tax cuts brought significant indirect benefits to New York’s economy. Reductions in dividends and capital gains tax rates contributed to a strong rebound in stock prices in 2003, providing a shot in the arm to the City’s vitally important financial sector. The acceleration of marginal rate cuts also offset large temporary hikes in New York State and City income tax rates, which took effect at the same time as the 2003 federal changes.

On the other hand, New York would be particularly hard-hit if Congress enacts a proposal by presidential candidate John Kerry to roll back marginal rate cuts and investment incentives for taxpayers earning more than $200,000. Although New York State is home to only 6.6 percent of all income tax filers, New Yorkers would shoulder at least 11 percent of the tax increases resulting from such a proposal. Moreover, New York’s vital securities industry would be adversely affected by any weakening in equity prices that results from a reversal of the 2003 cut.
ABOUT THE AUTHOR

E. J. McMahon is a Senior Fellow for Tax and Budgetary Studies at the Center for Civic Innovation at the Manhattan Institute. Mr. McMahon studies the tax and spending policies of New York City and New York State and issues recommendations on how these policies can be reformed to increase economic growth. Prior to joining the Institute, Mr. McMahon was Vice Chancellor for External Affairs at the State University of New York. He has also served as Deputy Commissioner for Tax Policy Analysis and Counselor to the Commissioner in the state Department of Taxation and Finance; Director of Minority Staff for the state Assembly Ways and Means Committee; and Research Director for the Public Policy Institute of New York State.
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THE $36 BILLION BONUS: 
NEW YORK’S GAINS FROM FEDERAL TAX CUTS

INTRODUCTION

Tax cuts have played a key role in the nation’s recent economic recovery since 2001. However, federal tax policy remains far from settled, even in the short term. Most of the tax cuts enacted since 2001 are only temporary, and some key provisions benefitting married couples and middle-income taxpayers are set to expire as soon as the end of 2004. Moreover, taxes are a major bone of contention in the presidential race between George W. Bush and John Kerry. Regardless of the election outcome, the next presidential term is likely to feature continuing political battles in Washington over the future shape of the Internal Revenue Code.

The outcome of those battles will be especially important to New York State, which bears a disproportionately heavy share of the nation’s tax burden. New York remains second only to California in federal income tax payments, even though it has lost people, jobs, businesses, and political influence to other, faster-growing states over the past three decades. New York State’s 19 million residents generate more income tax revenue than 22 million Texans—or, to use another comparison, more income taxes than 24 million residents of Ohio and Pennsylvania combined. The Empire State’s heavy federal tax burden contributes to its persistent imbalance of payments with the federal government.

How was that burden affected by the Bush income tax cuts of 2001 and 2003? And how might it be affected by potential changes over the next few years? Those questions are answered in the sections that follow.

OVERVIEW OF ENACTED TAX CUTS

George W. Bush took office as president in 2001 with a commitment to reducing federal taxes. Five months into his term, Congress adopted the Economic Growth and Tax Relief Reconciliation Act (EGTRRA), which incorporated most of Bush’s original 2000 campaign proposal. Major income tax provisions included:

- A rate cut in every income tax bracket, beginning in 2001 with the creation of a new 10 percent bottom bracket to cover a portion of incomes previously taxed at the 15 percent rate. Other changes were to be more slowly phased in, becoming fully effective in 2006.
- A phased-in doubling of the child credit, from $500 in 2000 to $1,000 by 2010.
- Elimination of the so-called marriage penalty, which results in working spouses paying more in taxes than if they remained single, by increasing the standard deduction and broadening the 15 percent tax bracket for married filers. These changes also were to be slowly phased in; the increased deduction would be fully effective in 2008, and the rate savings for married filers would be fully effective in 2009.
- Elimination of limits on deductions and personal exemptions (known to tax technicians as “PEP” and “Pease” limits) on a phased-in basis, starting in 2006 and becoming fully effective in 2010.
- An expansion of the Alternative Minimum Tax (AMT) exemption in order to minimize the extent to which the tax cuts turned more regular taxpayers into AMT payers.

The Second Step

Within months of EGTRRA’s adoption, the already slumping national economy was jolted by the 9/11 terrorist attacks, followed by a further decline in the stock market. This had a particularly negative effect on New York City, which lost 120,000 private-sector jobs in the 12 months following the World Trade Center disaster. In addition, the fall in equity values led...
to a steep plunge in State and City tax revenues from capital gains and Wall Street bonuses.

At the beginning of 2003, Bush unveiled an ambitious package of additional tax relief to spur on the struggling economy. The president sought to immediately implement the marginal rate cuts that were still being slowly phased in under the 2001 law. He also proposed the elimination of individual income taxes on most corporate dividend payments.

In the end, Congress didn’t go along with the full repeal of dividend taxes, but the resulting Jobs and Growth Tax Relief and Reconciliation Act of 2003 (JGTRRA) did go a long way toward achieving Bush’s main goals. Adopted in May 2003, the new law included:

- Acceleration of the remaining EGTRRA marginal rate cuts, as well as marriage penalty relief and the child credit increase, to make all of these provisions fully effective in 2003.
- Immediate reduction of tax rates on corporate dividend payments to 15 percent.
- Reduction of the tax rates on long-term capital gains2 from 20 percent in the top bracket and 10 percent in lower brackets to 15 percent and 5 percent, respectively, with the lower rate declining to zero in 2008.
- A further increase in the AMT exemption.

(The income tax rate tables and schedule of changes under both tax cuts are presented in further detail in Appendix B.)

**What New Yorkers Saved**

As shown in Figure 1, the federal income tax cuts enacted in 2001 generated a cumulative total of about $9.6 billion in savings for New Yorkers in 2001 and 2002.3 If no further changes had been enacted, EGTRRA would have generated another $5.3 billion in savings for New York residents in 2003, including $2.2 billion for New York City taxpayers, and $6.6 billion in 2004, including $3.1 billion for New York City.

The second Bush tax cut more than doubled the impact of the initial cuts. As shown in Figure 2, New Yorkers’ annual tax savings rose to $12.4 billion in 2003, including $5.3 billion in the City, and to $13.7 billion in 2004, including $5.8 billion for New York City. The combined impact in New York State of the two federal income tax cuts since 2001 will reach cumulative totals of $35.7 billion through 2004, including $15 billion in the City.

To put these amounts in context, the 2004 statewide federal income tax cut is equivalent to half of projected New York State personal income tax collections for fiscal 2004–05.4 The $5.8 billion City share easily exceeds projected federal aid to the City and roughly equals the City’s total projected income tax collections this year.5 These savings will boost the annual after-tax incomes of State and City residents by about 2.7 percent, on average.

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*Figure 1: New Yorkers’ Combined Savings from 2001 Federal Income Tax Cut (in millions of dollars)*

*Figure 2: New Yorkers’ Combined Savings from 2001 and 2003 Federal Income Tax Cuts (in millions of dollars)*
Sample Families

Politicians are fond of emphasizing tax benefits for the “middle class.” Both George Bush and Al Gore pledged to help such taxpayers in the 2000 campaign. Likewise, John Kerry is promising to preserve the middle-class portions of the 2001 and 2003 tax cuts.

But “middle class” can mean different things in different parts of the country. In New York—as in several other high-income states, such as California, New Jersey, and Connecticut—the boundaries of the middle class stretch further up the income scale. IRS data show that nearly 10 percent of all federal income tax filers in New York State, including 23 percent of married joint filers, reported adjusted gross incomes of more than $100,000 in 2001. Nationwide, the comparable figures were just 8 percent and 18 percent, respectively.

The true middle of the income distribution in downstate New York, as measured by the mathematical median, is higher than in many other states. As of 2004, the national median income for four-person families was $57,500. The statewide median in New York was $59,300. But the median reaches $62,800 in New York City, $85,300 in Nassau and Suffolk Counties, and $93,400 in Westchester County. In fact, according to 1999 U.S. Census figures, at least 100 communities in Westchester and Long Island have median family incomes above $100,000; in other words, half of the families in these places make more than $100,000. In New York City, incomes in the low six figures are considered to be squarely within the middle-class mainstream, especially among home-owning couples with children.

By incorporating across-the-board marginal rate cuts, the tax changes advocated by Bush with support of congressional Republicans recognized these regional differences to a far greater extent than alternatives proposed during the 2000 campaign by Democrats such as former vice president Al Gore and Senator Hillary Clinton, who favored targeted credits for the working poor and families with children in college or day care. These credits, like those already included in the tax code, are phased out at income levels too low to benefit many truly “middle-class” New York families.

In general, the 2001 and 2003 tax cuts delivered the greatest proportionate savings to taxpayers in the lowest income brackets, especially married couples and families with children. These effects are illustrated in Table 1, which shows the impact of tax cuts on seven hypothetical tax filers.

Indirect Effects

If the impact of the 2001 and 2003 tax cuts had been limited to the sort of individual savings cited above, it would have provided a solid boost for the economy.
of New York and for the nation as a whole. But the tax cuts also produced indirect effects that were especially beneficial to the Empire State’s economy—and, by extension, to the finances of State and City government.

Indeed, it would have been difficult to come up with a federal tax cut better tailored than JGTRRA to meet the needs of New York City, in particular, under the conditions that prevailed there in 2001–03. The accelerated marginal rate cuts pumped billions of dollars into the pockets of New Yorkers who might be considered “wealthy” elsewhere, along with tens of thousands of entrepreneurs and small-business owners. The reduction in taxes on dividends and capital gains were a tonic for the securities industry, which accounts for an estimated one-quarter of the City’s economic activity and nearly one-fifth of its wage income.

At the end of February 2003, a little over a month after President Bush unveiled his latest tax cut plan, the Dow Jones Industrial Average stood at just over 7,891. By the time the JGTRRA cut was adopted at the end of May, the Dow had gained nearly 1,000 points, and over the following year it rose another 1,338. There were similar trends in the other broad stock indexes and NASDAQ. Meanwhile, the pretax profits of New York Stock Exchange member firms rose from a seven-year low of $6.9 billion in 2002 to $15.3 billion in 2003, and are projected to increase again to nearly $19 billion (the second-highest level on record) in 2004.

In the absence of a thorough independent study weighing all factors driving the market in 2003, it’s difficult to say precisely how much of those gains could be attributed to the tax cut. But there’s no denying that lower taxes on dividends and capital gains make corporate stocks a more attractive investment—always good news for Wall Street.

The timing of the 2003 federal tax cut was fortuitous for New York in another sense. That’s because the federal changes were signed into law just two weeks after the State Legislature in Albany, overriding Governor George E. Pataki’s vetoes, enacted significant temporary increases in both State and City income taxes.

### The Tax Cut and “the Fisc”

During his 24 years in the U.S. Senate, the late Daniel Patrick Moynihan did much to raise public awareness of the ongoing transfer of income from wealthier states such as New York State to the federal government. As documented in a series of annual reports on what Moynihan called “the Fisc,” the Empire State perennially sends billions of dollars more in taxes to Washington than it gets back in the form of federal spending.

Other comparative measures of income flows between the federal government and the states have consistently confirmed Moynihan’s analysis. According to the most recent Tax Foundation estimate, New York gets back 85 cents in spending for every dollar in taxes paid, a rate of return that ranks 40th among states (New Jersey, at 62 cents per dollar, is at the bottom).

The imbalance is ultimately a consequence of the federal government’s well-established income redistribution policies, including a progressive income tax structure that (even after the 2003 cuts) subjects higher incomes to steeply higher marginal and effective rates.

“A near quarter century of data analysis has pretty well established that New York’s balance of payments deficits is structural,” Moynihan observed in his 1998 report. “It is not the result of one administration, one party, one business cycle, whatever. In good times it only gets worse, owing to our high tax brackets which in measure reflect our high cost of living.”

However, the $12 billion in annual tax savings in 2004 would not necessarily equate into a $12 billion reduction in the imbalance of payments deficit. That’s because total federal spending (including special aid to New York authorized after the 9/11 attack but still largely unexpended) has continued going up even while tax rates were going down. In the long run, as Moynihan pointed out, “Anything that grows the size of the Federal government will grow the deficit of New York and other such [high-income] states.”
Retroactive to January 2003, the top combined State and City income tax rate was raised by 1.65 percentage points, to 12.15 percent from the 2002 level of 10.5 percent. As a way to recapture more cash from taxpayers for income earned in the first half of the year, the State and City withholding tax rates were initially raised by an even larger amount—effectively doubling the initial impact of those tax increases. But at precisely the same time—the beginning of July 2003—the federal government changed its own tax withholding tables to reflect JGTRRA’s accelerated rate cuts.

For New York State filers with adjusted gross incomes over $125,000—the group primarily affected by the legislature’s tax hike—the net additional savings generated by accelerated federal tax cuts in 2003 was four times as large as the State income tax increase. For New York City residents in the same brackets, the added federal tax cut was roughly two and a half times the combined State and City tax increases. Thus, in the short term, the positive impact of the large federal tax cut helped to offset the negative economic impacts of State and City tax hikes.

The federal tax cuts also helped to pump up revenues in other ways. With very few differences, the New York State and City income tax base is the same as the federal income tax base—and therefore it can be greatly affected when taxpayers alter their behavior in response to changes in federal tax rates. The most vivid past example of this phenomenon was the sharp upward spike and then drop in State and City revenues when the federal government raised its capital gains rates in the late 1980s. Likewise, the 1990 and 1993 increases in federal income tax rates in upper brackets led to slower growth in taxable incomes, which in turn would have suppressed the growth in State and City income tax revenues.

By the same token, sharp and immediate decreases in federal rates generally encourage households—especially the wealthy—to expose more income to taxation. Federal tax rate discounts on income from dividends and long-term capital gains have encouraged more taxpayers to make money in these categories, which the State and City continue to tax at the same rates as wage income. The predictable result: even after adjusting for rate hikes, projected State and City income tax receipts have grown sharply since the beginning of fiscal 2004.

**THE CHOICES AHEAD**

The tax cut bills of 2001 and 2003 left a tangle of loose ends for Congress and the president to straighten out—and the sooner this is done, the better.

The marriage penalty and child credit provisions accelerated in 2003 are scheduled to expire at the end of 2004, at which point they would revert to the less generous levels provided under the phase-in schedule of the 2001 law. Also due to expire at the end of 2004 is the provision meant to protect more taxpayers from being hit with the AMT (see “The AMT Time Bomb” sidebar). Unless Congress and the president agree to extend these provisions, substantially higher federal tax bills will be hitting virtually all married taxpayers and a steadily growing number of middle-class taxpayers.
The AMT Time Bomb

Most taxpayers don’t know that they are potentially subject to two different tax codes—the regular tax and the Alternative Minimum Tax (AMT). The final tax bill must reflect the highest amount yielded by the two approaches.

The AMT was originally created in 1969 to ensure that the nation’s wealthiest taxpayers couldn’t use tax shelters to avoid paying taxes. Because its design was never altered to reflect the fundamental changes in tax policy enacted since 1981, it has already spread far beyond its originally targeted population and is poised to afflict a growing number of middle-class taxpayers in the near future. (At the same time, ironically, it now affects very few taxpayers in the highest tax brackets.)

The regular income tax code—under the pre- and post-2001 laws—allows taxpayers to claim an exemption (currently $3,100) for themselves and their dependents, plus itemized deductions for a wide range of expenses, including charitable contributions, medical expenses, home mortgage interest, and state and local taxes. But AMT disallows all personal exemptions and a long list of common deductions and tax credits—including deductions for state and local taxes.

This is a very costly loss for affected New Yorkers, especially suburban homeowners saddled with heavy property taxes, and New York City residents, who pay both a state and local income tax. The City is home to an estimated 6 percent of the nation’s AMT payers, although it accounts for just 2.6 percent of total income tax filers, according to a recent study by the research director of the New York City Finance Department’s Office of Tax Policy.

Under the AMT, all income above a “unified exemption”—set at $58,000 for married couples and $40,200 for most other taxpayers in 2003 and 2004—is taxed at a starting rate of 26 percent. A rate of 28 percent kicks in on incomes above $175,000. The income brackets and the exemptions under the regular tax code are indexed to rise with inflation, but the AMT parameters are not. As a result, the AMT is not just a floor but a rising floor relative to regular taxes. Over time, more and more people have found themselves paying it—or, at the very least, having to fill out a lengthy form to determine whether they have to pay it or not.

By further reducing rates and by stretching tax brackets for married couples, the Bush tax cuts threaten to turn many more taxpayers into AMT filers, costing them a portion of the full tax savings that they would otherwise realize as a result of the cuts. To ameliorate this effect, both the 2001 and 2003 tax cuts raised the unified exemption amount—but to hold down the “cost” of the cuts under congressional budget-scoring rules, the latest increase in the exemption was scheduled to expire after just two years.

If the current AMT exemption is not extended, the number of AMT filers across the country will quadruple in a single year, growing from 3 million in 2004 to 12 million in 2005, according to the Congressional Budget Office.a And if that trend continues, by 2010 more than 29 million Americans will be AMT payers, including 90 percent of all filers with incomes between $100,000 and $500,000. One recent study that focused solely on New York City estimated that taxpayers in the City lost 12 percent of the value of their 2003 federal tax cuts to increased AMT payments; City residents earning between $150,000 and $500,000 saw more than half their federal savings eaten up by higher AMT payments, the same study estimated.

Extrapolating from published government estimates,b the Manhattan Institute’s model of New York’s taxing population assumes that state residents’ AMT liability will increase from $2.3 billion in 2004 to $3.6 billion in 2005. If the exemption is extended, both the number of AMT filers and their AMT liability will increase much more slowly. Better yet, indexing the AMT unified exemption to inflation, as proposed by House Republicans, would further minimize the creeping effect of this increasingly costly barnacle on the tax code.

c. The basis for our estimate of New York residents’ AMT liability includes CBO estimates (op cit.) and data from a 2000 Treasury Department study (“Who Pays the Individual Income Tax?,” OTA Paper 87) and the recent Schlain study (ibid.)
In addition, the capital gains and dividends tax cuts are scheduled to expire after 2008. Under current law, the rates on investment income will revert to their previous, higher levels starting in 2009. And all of the 2001 and 2003 tax cuts are scheduled to expire after 2010.

In light of these uncertainties, we used our model to test three future scenarios for the tax code.

**Scenario one** assumes that the expiring provisions of the 2003 law are extended through 2010 and that additional cuts become fully effective on schedule later in the decade. In this case, as illustrated in Figure 3 (see p. 5), New York State residents will see their tax savings rise to $14.6 billion next year, including $6.2 billion in New York City. Cumulative savings would reach $107.8 billion by 2010, including $46 billion in the City.

**Scenario two** assumes the expiring 2003 provisions are not extended. Figure 4 illustrates how much more New Yorkers would pay in taxes, compared with the continuation of tax cuts illustrated in Scenario 1. As shown, the result in 2005 would effectively be a $3.2 billion tax increase for New York State residents, including $1.3 billion for City residents. Through 2010, New York State residents would pay $37 billion more, including $17 billion for City residents alone. A large portion of this increase would be due to the sharply escalating impact of the AMT.

**Scenario three** hinges on the outcome of the fall 2004 presidential and congressional elections. Senator John Kerry of Massachusetts, the Democratic presidential nominee, favors a two-year extension of the
provisions scheduled to expire in 2004. He also has proposed a new, refundable “college opportunity tax credit” and an expansion of the existing federal child care credit. However, the keystone of Kerry’s tax policy is a proposal to roll back Bush’s tax cuts, including cuts in dividends and capital gains rates, for all taxpayers earning more than $200,000.17

More specifically, Kerry would restore the pre-2001 rates in the top two brackets (i.e., the old 36 percent and 39.6 percent rates) for all taxable income, including dividends, along with a return to previous capital gains rates for taxpayers in those brackets. He also wants to continue existing limits on federal income tax deductions and exemptions for higher-income taxpayers, which currently are scheduled to be phased out by 2010.18

As illustrated in Figure 5, adoption of all of Kerry’s proposals, including tax increases and new tax credits, would translate into a 2005 tax increase of $3.9 billion in New York State, including $2.2 billion in New York City — assuming all other 2004 provisions are extended. The estimated cost to New York of enacting Kerry’s proposals through 2010, again assuming extension of other 2004 provisions, would be nearly $32 billion, including $17 billion in the city.

In fact, New York State residents would pay at least 11 percent of the tax increase described by Kerry, although New Yorkers make up only 6.6 percent of the nation’s tax filers. This is because the State has a larger than average concentration of households with incomes over $200,000.

Moreover, the estimated direct impact of Kerry’s proposal does not include indirect economic impacts, such as (a) the response of the stock market to a tax increase on income from equity investments, and (b) the likely suppression of State and City income tax revenues, due to the behavioral effects of higher federal rates.19

CONCLUSION

Even critics of the Bush administration’s policies generally acknowledge that the 2001 and 2003 tax cuts contributed to the nation’s economic recovery. If anything, the impact of those cuts was even more beneficial in New York State and New York City.

However, the uncertainty surrounding the income tax code has to be a special source of concern to New Yorkers and their congressional representatives. If provisions of the 2003 tax cut are allowed to lapse at the end of 2004—or if Kerry’s election brings a roll-back of income tax cuts for higher-income households—New York will have more to lose than most states.

Extending tax cuts and making them permanent, as President Bush has proposed, obviously will also require much greater restraint in federal expenditures. But contrary to the conventional wisdom among New York politicians, this need not come at the expense of the Empire State. The State has more to gain from permanent across-the-board tax rate reductions made possible by lower spending.

In other words, much of the effort that New York politicians customarily devote to getting more money for New York could be more profitably devoted to supporting tax cuts that leave more money in New York.
The estimates of direct individual tax impacts contained in this report were produced using a microsimulation model developed by the Manhattan Institute and Fiscal Economics, Inc. of Alexandria, Virginia. This model uses a large database of tax return data available from the Internal Revenue Service as well as information from the Congressional Budget Office, New York State Department of Taxation and Finance, and New York City to calculate all of the income and demographic variables needed to compute the federal income tax liabilities for statistically representative samples of the national, New York State, and New York City filing populations for each year out to 2014.

Once income and demographic data have been calculated for each observation in the samples, the model uses a tax calculation program to compute federal income tax liabilities under various regimes. Estimates of tax savings resulting from enactment of the Bush tax cuts, for example, were made by first computing a baseline estimate that assumed that federal tax law as it existed in 2000 had remained in place through 2010. These estimates were then compared against a policy estimate that took into account the various provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA). Estimates of tax revenues and changes for future years are based on the baseline national economic projections used by the Congressional Budget Office.

Estimates of changes in tax liabilities resulting from enactment of the tax proposals put forward by John Kerry were made in a similar fashion. In this case, a baseline estimate was made by assuming that the tax law as it currently exists remains in place through 2010. This estimate was then compared against a policy estimate that assumed that the Kerry tax proposals were fully enacted into law.
## APPENDIX B: FEDERAL PERSONAL INCOME TAX BRACKETS

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Income thresholds for 2001 are adjusted to estimated 2004 dollar levels.

Sources: Internal Revenue Service (pre-2001), Manhattan Institute estimate (2004)
ENDNOTES

1. The 2001 law also phased in a repeal of the federal estate tax, which is not a subject of this report.
2. Long-term capital gains are gains on assets held for at least 12 months; shorter-term gains are taxed at regular income rates.
3. As a stimulus measure, the first installment of the EGTRRA cut was distributed to taxpayers in the form of “advance payment” checks beginning in late July 2001. These payments—up to $300 for single taxpayers, $500 for heads of household, and $600 for married couples—reflected the value of the new 10 percent bracket on the first $12,000 of income. New York’s share of the advance payments totaled just over $2.5 billion, including about $1 billion for New York City residents. In fact, many of these checks ended up being cashed during the weeks leading up to and immediately following the World Trade Center attack.
4. Governor George Pataki’s 2004–05 Executive Budget projected state personal income tax receipts of $26.8 billion.
5. The city expects $4.6 billion in federal categorical aid and $5.4 billion in receipts from its own personal income tax in fiscal 2004–05.
6. Income measured as estimated adjusted gross income.
7. These family median income figures are from annual estimates developed by the U.S. Department of Housing and Urban Development (HUD) to determine eligibility for subsidized housing. The nationwide income estimates are available at http://www.huduser.org/datasets/il/il04/.
8. See, for example, Hollow at the Middle, a 1996 report issued by the New York City Council Finance Committee, which suggests that “middle class” in the city ranges up to 200 percent of the size-adjusted median family income. For a family of four in 2004, that would be $123,600.
10. Securities Industry Association, ”The Street, the City, and the State: The Securities Industry’s Importance to New York City and State,” Securities Industry Trends 40, no. 2 (March 22, 2004), from cover page highlights.
11. Ibid., p. 12.
12. Required quarterly estimated income tax payments were also temporarily increased by the State and City on an accelerated basis.
13. In the aggregate, our model indicates that households throughout New York State with incomes above $125,000 saved about $3.8 billion more in federal taxes while paying about $900 million more in new state income taxes in 2003. In New York City alone, households in the same bracket saved nearly $2 billion in federal income taxes while paying about $410 million more in City income taxes and about $420 million more in State income taxes.
14. The State and City income tax rates are supposed to “sunset” at the end of 2005.
16. The state’s fiscal year ended March 31, and the city’s fiscal year ended June 30.
17. Kerry also favors an expansion of existing tax credits for college tuition, which phases out at incomes between $83,000 and $103,000 and effectively excludes many middle-class New York families from sharing in its benefits.
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