Long Island Regional Planning Council

Study on Alternatives to the Property Tax

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Table of Contents

Acknowledgement

The Long Island Regional Planning Council acknowledges and appreciates the support of Nassau County, the Suffolk County Economic Development Corporation and the Long Island Board of Realtors in producing this Study.

Executive Summary

In its 2010 report, “Long Island 2035,” the Long Island Regional Planning Council (Council) identified property taxes as a significant impediment to the economic well-being of Long Island. With the advent of the New York State property tax cap and other policy changes, the Council deemed it important to re-visit the property tax analysis to determine if the previous conclusions were still valid. The recent federal cap on the deduction for state and local taxes has underscored the need for an update. After consulting with policy leaders and government officials across the region, the Council broadened the analysis to look at the fundamental issue of how government is financed on the Island and to consider whether the property tax represents the best method to support the operations of its municipalities and schools.

To that end, the Council re-engaged two of its partners from the original study, PFM Group Consulting and the National Center for Suburban Studies at Hofstra University. The result of this analysis shows that while some progress has been made in controlling property tax growth, high tax levels continue to act as an impediment to economic growth. While the analysis of alternatives to the property tax demonstrates that there are no easy policy choices, there are important options for the region to consider.

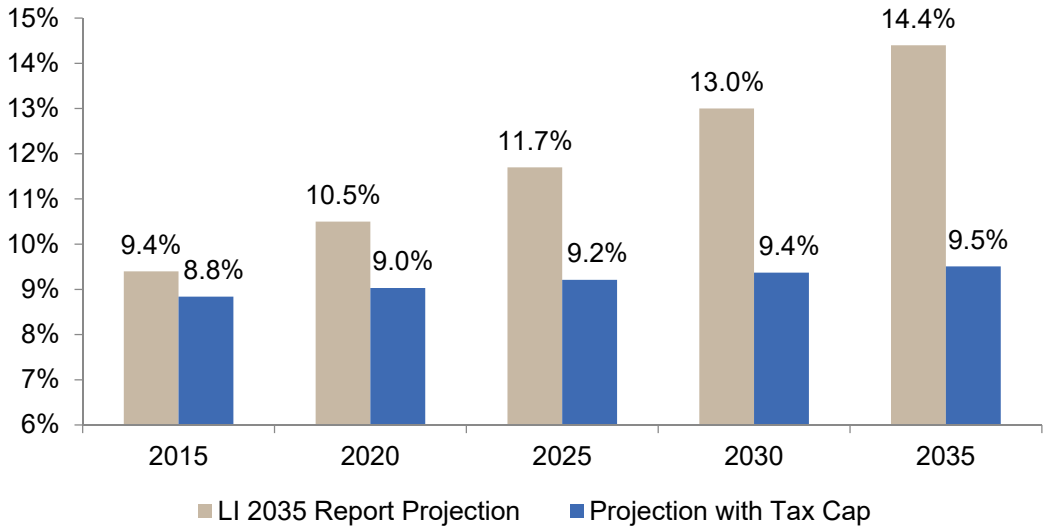
High Level Findings

To assist in its analysis, the project team reviewed historic budget, performance and financial data and prior relevant reports, interviewed state and local government leaders and subject matter experts and did peer government benchmarking and best practices research. That analysis produced high level findings, including:

- **Since the Long Island 2035 study, the State property tax cap has helped slow the percentage growth in Long Island property taxes.**
- **However, the State property tax cap has not materially changed Long Island’s standing as a high property tax region.**
- **Long Island local government property tax burden and rates are high, even among peer governments in other high-cost metropolitan areas.**
- **Compared to local governments nationally, Long Island property taxes make up a larger share of tax revenue generated within the region.**
- **Local schools are the primary recipients of property tax revenue.**
- **High property taxes continue to have negative (and significant) impacts on Long Island residents and businesses in ways that will limit regional growth and prosperity.**

The following chart shows that the tax cap along with other measures has effectively reduced the tax burden projected in the LI2035 report.

Projected Long Island Property Tax Burden, LI2035 Report and with Tax Cap



Sources: American Community Survey 1-Year Estimates; LI2035 Report

The property tax cap was implemented in 2012 and has slowed the rate of growth in property taxes. In the LI2035 report (released in 2010), the Long Island property tax burden (taxes as a percentage of median household income) was projected to grow from 9.4 to 14.4 percent in 2035.

With the cap in place, the projected burden grows from 8.8 percent in 2015 to 9.5 percent in 2035. The key question is whether this is sustainable over the long run as compliance with the cap has been aided by a number of factors:

- Post-recession rise in property values;
- A decline in the required pension payments for governments and schools;
- Depletion of government and school district reserves accumulated prior to the tax cap;
- A stabilization or even decline in school enrollment for many districts;
- A greater increase in State school aid that has permitted school spending to grow faster than the property tax increases; and
- Savings from the retirement of long-time, high-paid employees and teachers who are being replaced by new people at or near entry salary.

Based on these findings, the project team analyzed alternate approaches to the existing regional revenue structure. Coupled with strategies to encourage local cooperation and efficiencies, these alternatives provide encouraging opportunities to strengthen the region in key areas, including its economic and demographic make-up and its public sector operations.

The study reviews numerous alternatives to the property tax and analyzes them from the perspective of their internal strengths and weaknesses as well as external opportunities and threats. The study also provides some perspective on estimated revenue that might be collected as well as noting inherent barriers to their adoption, such as the need for the State to authorize a new tax for local government use. The challenge is both fiscal and political: to find a way to ease the property tax burden for most taxpayers while effectively – and sustainably – delivering the services that the pubic clearly demands.

Alternatives to the Property Tax

Fundamentally, there are three methods governments use to fund their operations. They can tax income, consumption, or wealth. In New York State, income is taxed through personal and business income taxes, consumption is assessed through sales and excise taxes, and wealth is taxed based on the value of real property.

Every tax will have some negative impact on consumer and business decisions and the regional economy. The counterpoint was expressed by U.S. Supreme Court Justice Oliver Wendell Holmes, Jr., when he wrote that "taxes are what we pay for civilized society."

The study examines property tax relief approaches that apply the relief evenly among all residential property taxpayers. It also examines a targeted-relief approach in the form of circuit-breaker, where property taxpayers, based on their income level, will not pay over a certain percentage of their income in property taxes, with the alternate revenue sources creating a pool to pay the balance of the tax that is owed. The following summarize the primary alternatives to the property tax for Long Island local governments.

Sales and Use Tax Increased Collection

Two long-standing U.S. Supreme Court decisions have held that states may not compel sellers to collect state sales tax from purchasers via phone, catalogue or Internet sales unless the seller has nexus (which they defined as physical presence) in the state. With the rise of Internet sales, this inability to collect sales taxes has become a significant revenue loss for state and local governments.

The tax in question is still owed by the purchaser, but it is very difficult for governments to collect if it is not collected by the seller. Estimates of the revenue loss for state and local governments nationwide from the combined phone, catalogue and Internet sales range from $10 billion to over $20 billion a year. For local governments on Long Island, the estimates of lost revenue range from $50 million to over $100 million a year.

Governor Cuomo included extending sales tax collections on online sales in his proposed New York State Budget 2018-19. The Nassau and Suffolk County Executives lobbied the State Legislature to expand tax collection to include all online sales; however, the extension of the internet sales tax was ultimately not adopted in the 2018-19 budget.

In January 2018, the U.S. Supreme Court granted certiorari for a case challenging South Dakota's law requiring Internet sellers to collect sales tax under a standard of 'economic nexus' – which is based on the amount of sales into a state by the seller. Should the Supreme Court overturn its past nexus standard, it will open the door for greater state collection efforts. It could also prompt the U.S. Congress to regulate the tax based on its impact on interstate commerce.

Sales and Use Tax Rate Increase

The sales and use tax is readily understood and accepted by state taxpayers, and the administrative structures for collection are in place. The primary issue of concern with a sales tax increase sufficient to materially reduce property taxes would be the combined state-local sales tax rate.

Currently, Nassau and Suffolk Counties impose a local sales tax of 4.25 percent; when added to state and other local sales taxes, the combined rate in both counties is 8.625 percent. In contrast, the combined rate in New York City is 8.875 percent. Increasing Long Island's rate by .25 percent commensurate with New York

City would yield approximately $157 million in additional revenue in 2018. Raising the local rate commensurate with New York City increases revenue sufficient to reduce property taxes by an estimated 1.4 percent. Were the counties to raise their rate from 4.25 to 5.25 percent the resulting property tax reduction in 2018 would equal 5.5 percent. That would create a combined rate of 9.625 percent – very close to the 10 percent rate that is often considered a barrier not to be crossed for the sales tax.

Local Sales Tax on Motor Fuel

Under current law, the sales tax on motor fuels (both gasoline and diesel fuel) is only charged on the first $2.00 of each gallon of fuel. Given current fuel prices, repealing this provision would result in additional revenue. There are two components to this issue: State and local sales tax impact. The likelihood is that the result would be approximately $57 million, barring any major variance in fuel prices.

For the local sales tax, the $2.00 per gallon cap on the sales tax is optional. Both Nassau and Suffolk counties have opted out of the provision and charge sales tax on the full amount. Accordingly, there is no local revenue loss to be recovered by the repeal.

On the state side, the cap is in place. According to the 2018 NYS Tax Expenditure Report, in SFY 2015-16 the State lost about $105 million in foregone sales tax on taxable Automotive Fuel sales in excess of $2.00 per gallon.

To estimate the potential gain for Long Island, the project team took the motor fuel sales data provided by the NYS Department of Taxation and Finance and price per gallon data for Long Island from the U.S. Department of Energy, Energy Information Administration. Working with that information, the project team isolated the portion of the price per gallon that was not charged sales tax.

The estimated possible additional revenue is approximately $50 million a year. Assuming no major fluctuations in fuel prices, it is likely that the impact would be between $25 and $60 million annually. This analysis assumes that removing the state cap would have the state rebating the gain back to Long Island.

Increases in Excise Taxes

Unlike a general sales tax, which is applied at the same rate to all goods and services subject to the tax, excise taxes have specific tax rates applied to individual goods or services. In some instances, these tax rates are quite high, which is often justified by perceived negative impacts from the production or consumption of the good or service – such as the taxes on cigarettes, alcohol and sugar-sweetened beverages. While these products are generally taxed at the state level, there are multiple examples of local excise taxes in place around the country – including New York City's taxes on cigarettes and hotel rooms.

Nationally, excise taxes are evolving – it is not surprising that as new products and services enter the marketplace, governments consider whether there is a business case for subjecting them to specific excise taxes. Examples of newer forms of excise taxes include those applied to recreational marijuana, vape and e-cigarettes and plastic grocery bags. Taxes on sugared beverages have also become newsworthy, based on their recent enactment in the cities of Philadelphia and Seattle. These and other excise taxes are discussed and their possible revenue impact analyzed.

Because of the relatively smaller base for these individual products, none can, on their own, be suggested as a significant alternative to the property tax. But in combination, they may provide an opportunity to pool together alternate sources that can provide a material reduction in local property taxes.

Institute a Local Personal Income Tax

The personal income tax is the State's largest revenue source and is also in place in two neighboring local governments, New York City and Yonkers. It taxes income, so it generally has more connection with ability to pay than the real property and sales taxes. It is not currently used by any Long Island local government.

As alternatives to the property tax, the project team modeled two possible approaches to a local income tax. The first would be a percentage tax on income (as is the case for the state personal income tax). This could be either a flat or progressive tax, although for simplicity's sake, the study looks just at a local income tax at a single rate. The second would be a surcharge calculated as a percent of what the local taxpayer would owe the State in personal income tax. Because the state personal income tax is a progressive tax, the surcharge would be as well. Among local governments using these methods, New York City uses the percent tax on income and Yonkers uses the surcharge on state income tax liability. Because it is a major tax with a broad base, a local income tax has the greatest potential to raise the revenue necessary to make a material reduction in residential property tax rates.

Local Government Efficiency Measures

There have been and continue to be notable cost-saving efforts underway within and amongst Long Island local governments. These initiatives should continue to be a topic of study and, where realistic and helpful, implementation. The State can provide useful assistance by incenting local government participation and by providing technical and other assistance. At the same time, evidence around the country suggests that these efforts require significant time and effort, and the fruits of the successes can take many years to materialize. In the meantime, efforts to diversify the local government revenue structure may provide faster relief.

Background on Local Taxes on Long Island

Long Island relies on property taxes as a local revenue source to a greater extent than the nation as a whole. All told, Long Island local governments, including school districts, raise approximately $13 billion a year via local property taxes.

In fact, more than two thirds of local property tax dollars go to public school districts; the two counties collect nearly 14 percent, towns collect approximately 10 percent, and villages 5 percent. The region's fire districts, libraries, special purpose districts and cities account for the remaining 6 percent.

Among other revenue sources, sales and use tax revenue are also an important source for some local governments (primarily the counties as well as some cities, towns and villages). Long Island local governments rely on these revenues to a greater extent than their peers nationwide.

Property Tax Characteristics

The property tax has notable strengths and weaknesses. On the plus side, it is stable and collection rates are high, because property is fixed and generally in plain view. Property has also tended to appreciate in value over time, which acts as a hedge against inflation. Additionally, there is some logical connection between owning local property and paying for local services.

That said, there is no perfect tax, and the property tax is no exception. Most notably, it is generally described as a tax on wealth, and while property has, over the years, been seen as a reasonable proxy for wealth, that

case may be harder to make today. In places where property value has appreciated significantly over several decades, houses may have doubled, tripled or more in value compared to the original purchasing price. For many families – particularly retirees on a fixed income – the ever-increasing property value and the taxes that go with it are no longer aligned with their ability to pay. This can also be a barrier for young families or single earner households who may be able to afford monthly mortgage payments (which can be capitalized over many years) but cannot afford the annual property tax bill on top of the mortgage payment. Minority neighborhoods where housing values traditionally have lagged have borne a disproportionate share of the burden. The property tax process is also often seen as overly complex, and the array of local property taxing jurisdictions can also create a disconnect between services and funding.

On Long Island, the size of the tax bills themselves is a key concern. While relative rankings will vary from year to year, Nassau and Suffolk County consistently rank as high-property tax counties in the state and nation. For example, a 2017 study identified Nassau County as one of nine U.S. counties where homeowners on **average** pay more than $10,000 a year ($11,232) in property taxes (the study also found the average property tax bill in Suffolk County to be $9,333). A U.S. Census Bureau study of **median** property taxes in 2017 found that Nassau County had the second highest property tax bill in the U.S. (second only to Westchester County).

New York is generally considered to be a high property tax state. One 2018 survey of states listed New York as having the 11th highest effective real estate tax rate, at 1.62 percent. Because the State median home value ($283,400) is relatively high, the average tax bill, $4,600, is fourth highest among the states.

The Need for State and Local Partnering

While local governments are a vitally important part of the government structure within New York State, most local taxes rely on specific authorization from the State. In some instances local governments may benefit directly without specific local approval for changes. In many of the options under consideration (such as creating new excise taxes), the State would have to provide explicit authorization.

Options Recap

The following table provides a set of possibilities for a reduction in Long Island residential property taxes – which are possible even without considering more substantial changes, such as a local income tax.

Revenue Source	Additional Revenue
Sales tax nexus changes	$ 92 million
Increased sales tax rate	$ 157 million
Sales tax on motor fuels cap removed	$ 50 million
Sugared beverage tax	$ 125 million
Vape tax	$ 1 million
Medical and recreational marijuana	$ 75 million
Total	**$ 500 million**

Conclusion

Mark Twain once observed that “everybody talks about the weather but nobody does anything about it.” While there have been notable efforts to “do something about” Long Island property taxes, they remain among the highest in the nation.

It is easy to feel trapped by the politically impossible nature of substantially reducing the Long Island residential property tax burden. However, the study provides several possible alternative revenue sources that could start the process of making material reductions in local property taxes. If they are coupled with continued diligence around control of expenses and moderating property tax rate increases, there is a reasonable opportunity to continue to bend the growth curve for property taxes as a share of median household income.

This will likely require a concerted effort from leadership at both the New York state and local government level that has to be sustained over time. Significantly “moving the dial” on taxes will take more than a single event or alternative that provides a neat and tidy solution.

Notably, the study stops short of definitive recommendations on alternatives so as to not paint policymakers into a corner should those recommendations prove unfeasible for political and/or policy reasons. The study also does not deal with the costs and confusion of the property assessment system, a particular problem that Nassau County is seeking to solve. But it is essential to start a serious discussion of alternatives because the potential for relief is real and the time to act is upon us.

Acknowledgement

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Introduction

Overview

As realtors say, the three most important influences on property values are “location, location, location.” Long Islanders believe their three biggest local problems are “taxes, taxes, taxes” – primarily property taxes. These concerns are not new. Nassau-Suffolk County homeowners, particularly the middle class that has borne the brunt of this unbalanced burden, have been outspoken for decades about real estate levies and the spending that drives them. Recent federal actions to limit the deductibility of mortgage interest payments and state and local taxes – which is said to hit Long Island as hard as any other region of the county – only adds to the angst. “The pain is real,” began a Newsday editorial series on spiraling property taxes. Those words were written more than 25 years ago.

In 2010, the Long Island Regional Planning Council published an analysis of Long Island’s governmental structure and tax burden as part of a larger look at the future of the Island. That analysis found that an even greater share of the region’s income was being consumed by property taxes, a drag on the economy and family life that was increasingly unsustainable. As a result of the Council’s LI2035 report and other examinations of local taxation and spending, property taxes became the focus of historic state initiatives, including a mandated cap on the local real estate levy and a strongly-incentivized initiative to rein in local expenditures through inter-municipal cooperation. The Great Recession also drove cost-saving efforts necessary to offset the temporary declines in the growth of state aid and sales tax revenues, as well as increases in health care and pension costs for public employees. These efforts only slowed the growth of the property tax burden. Relative to their incomes, Long Island families still struggle under one of the nation’s heaviest tax burdens. And the burden is borne disproportionately by middle-class homeowners – an inequity that a wide spectrum of stakeholders cited as troubling. Based on analysis of data and face-to-face discussions, the pain of property taxes remains as real as ever.

The challenge for reform-minded policymakers is both fiscal and political: to find a palatable way to ease the property tax burden for the most taxpayers possible, while effectively – and sustainably – delivering the services that the public clearly demands. This report, which only deals with residential property taxes, is intended to be a non-partisan guide for policymakers and the public alike as they sort through the various, and often complex, options for change. The Project Team’s (PFM Group Consulting and the National Center for Suburban Studies at Hofstra University) focus on alternative funding sources for local services – particularly those that would reduce reliance on property taxes and more equitably distribute the burden – should not be taken as minimizing the need for municipal and school district officials to deliver services in a more cost-effective manner.

Since the advent of the State’s Property Tax Cap, property tax cutting efforts have focused on reducing spending, including the State’s new shared services initiative, which is aimed at spurring county, town and village governments to collaborate on cost-savings of scale. These efforts, which include inter-jurisdictional agreements among municipalities and school districts, have yielded welcome efficiencies in technology, transportation, recreation, supply purchases and public works. Local officials also have managed to slow the growth of spending through negotiated savings in salaries and benefits, as well as the retirement of higher-paid employees. They also have stepped up efforts to secure reductions in state-mandated local costs for pensions and Medicaid. To relieve the pressure on beleaguered taxpayers, as well as to inspire trust in their actions, elected officials understand that they must continue to focus on saving as much money as possible. These efforts, as one local lawmaker put, “have to be first, second and third” on the list of strategies to contain taxes – certainly before having a conversation with their constituents about increasing or shifting sources of revenue. The Council has made it clear to the Project Team that cost-saving remains as much a priority as it was in the LI2035 plan. It still is seen as crucial to achieving regional stability and sustainability.

But it is a fact of fiscal and political life on Long Island, where resident demand for municipal services and academic excellence is high, that cost cutting will only go so far in reducing the property tax burden. Regardless of how parsimonious officials are or would like to be, history suggests that most of their constituents will not tolerate draconian spending reductions if it means sharp service cuts. Whether required by another level of government or merely demanded by constituents, Long Islanders continue to support some of the nation's highest municipal and educational spending levels. This year, as in recent years, voters approved the budgets of all 124 school districts – which account for more than two-thirds of their property tax bill -- and re-elected the vast majority of school board members responsible for these spending plans. Meanwhile, residents have rejected efforts -- even those with the promise of substantial savings -- to consolidate the hundreds of local governments, school districts and special jurisdictions that provide sanitation, fire, police and other services. Even if there were historically large budget cuts, Long Island's municipalities and schools still would have to generate billions of dollars to provide a broad array of mandated and discretionary services.

The Current Study

Against this backdrop of an unsustainably heavy property tax burden and a limited appetite for spending reductions, the Council sought to explore alternatives to the property tax itself. This did not signal a "surrender" on cost-cutting but instead reflected a desire to approach the property tax problem from another direction. The Council encouraged the Project Team to scour the nation in exploring alternatives, including those that might seem economically or politically difficult, if not impossible, to achieve.

The Council recognized that, given the current level of taxation driven by school and municipal spending on Long Island, shifting from property taxes to another revenue source will not lessen the overall burden of taxation on Long Islanders. However, an analysis of various alternatives would provide important, new information on the relative impact of such shifts. To accomplish this analysis, the Council started with a series of questions about where Long Island stands and what its localities can do if they are willing to consider reductions or at least a long-term stabilization of the property tax burden. These questions include:

- Is the property tax still on a "killer" trajectory outlined in the LI2035 report?
- Can a different tax generate the revenue necessary to fund local services but in a way that would be less painful to homeowners and their communities?
- If another tax were substituted for all or part of the property levy, what would be its impact on various residents and their neighborhoods?
- Have suburbs similar to Long Island been able to reduce their reliance on property taxes through the use of other sources, and if so, why?

This study seeks to answer these and other questions with hard data, reliable predictors and community feedback. To undertake the analysis, after an RFP process, the Council selected a Project Team with recognized expertise in municipal finance issues and familiarity with Long Island in particular. The report is not intended to tell Long Islanders and their leaders what they "must" or "should" do, but to lay out a series of regional options for change, explore their impact on various people and places, and provide the statistical consequences of making these changes – or of doing nothing. The goal of this study is to inform any subsequent debate, and not to instigate a specific policy direction or decision. A detailed description of the project methodology and approach is included in Appendix A.

In approaching this project, the Council was cognizant that a focus primarily on the revenue side of municipal and school finance leaves the overall heavy tax burden intact. Accordingly, the alternatives to the property tax will redistribute the tax burden – not materially reduce it – unless combined with current and future reductions

in spending or increases in revenue from other levels of government. As a result, all of the alternatives will provide "winners and losers" when compared with the present system, which of course has winners and losers of its own.

Key Findings and Recommendations

The Project Team conducted numerous detailed interviews with Long Island stakeholders and analyzed national, state and local data and information. After documenting that Long Island's local government property tax burden is exceptionally high, even among peer governments in other high-cost metropolitan areas, the Team identified the following key findings regarding property taxes on Long Island:

- **Compared to local governments nationally,** Long Island property taxes make up a larger share of its locally generated revenue.

- **The State property tax cap has helped slow the growth in Long Island property levies**, but property taxes are projected to increase and existing relief may not be sustainable.

- **High property taxes have negative (and significant) impacts on Long Island residents and businesses** in ways that will limit regional growth and prosperity, especially considering recent and projected demographic trends.

- **The benchmark counties demonstrate a variety of strategies** to replace property taxes and/or develop targeted programs that provide property tax relief, encourage homeownership or other methods to spur economic growth.

Based on these and other high level findings elaborated upon in the full report, the Project Team believes that alternate approaches to Long Island's existing regional revenue structure, coupled with strategies to encourage local cooperation and efficiencies, provide opportunities to strengthen the region in key areas, including its economic and demographic make-up and its public sector operations. There is no perfect tax, and under any scenario the burden will be heavy, but after analyzing various alternatives for Long Island, the Project Team identified several ways – however palatable -- to reduce reliance on property taxes to generate the brunt of revenues for local governments and school districts. The property tax burden can be reduced by:

- **Increasing the local sales tax rate.** An increase from Long Island's existing local rate of 4.25 percent to New York City's rate of 4.5 percent would generate an increase in revenue of $160 million in 2018 – providing the funds needed to reduce property taxes by 1.4 percent. Stakeholders believe that a much higher rate, which would be necessary to make a major dent in property taxes without any other actions, could dramatically impact retail activity on Long Island and burden lower-income residents.

- **Additional revenue measures**. While a new local tax or a rate increase in an existing major levy is, of necessity, likely to be the centerpiece of any significant replacement of the property tax, there are other alternatives that can be considered that either would allow additional property tax relief or to limit the size of a non-property tax increase. Among those analyzed are:

    - Increased collection rates of existing taxes (particularly e-commerce activity)
    - Lifting the $0.08 per gallon cap on the State's gas tax
    - Vape and e-cigarette taxes
    - Sugared beverage tax

- Increases to existing excise tax rate increases
- Expanding the base of the general sales tax (generally to services)

- **Introducing a "Burden Balancer" based on ability to pay.** Also known as a tax "circuit breaker," these mechanisms provide a reduction by preventing property taxes from going above a certain percentage of the taxpayer's annual income. In effect, these (nearly always) state-administered programs "shut off" property taxes once they exceed a certain share of a family's income. The total amount of tax loss from applying a realistic burden balancer would be $1.4 billion. In order to fund part or all of this amount – depending on whether the state might assume a share of the burden -- Long Island would have to impose increases in non-property taxes (and/or cuts in spending) that likely would be less onerous than achieving property tax reductions through income or sales taxes alone.

- **Imposing a local income tax.** An alternative that could significantly shift the burden of funding local services to wealthier homeowners, a local income tax rate of one percent of gross earnings would generate $1.4 billion for local services. Most stakeholders see the imposition of a local income tax, while appealing for its equity, as politically difficult. They also expressed concern about driving out high-earners, although the city has not experienced such an out-migration.

Any of these alternatives will face significant push-back from financial "losers" with no certain political support from "winners." Moreover, any change would have to be approved by State government, which has been reluctant to approve controversial tax increases.

After the Project Team completed its analysis and costing of alternatives, it became apparent that the U.S. Congress and President were going to make major federal tax law changes that could materially impact on the tax liability of Long Island taxpayers. As a result, the Council requested the Project Team postpone submitting its final written report until there was greater clarity regarding the federal tax bill. In the end, the Tax Cuts and Jobs Act (TCJA) did make major changes to the federal tax code related to both individual and corporate income taxes. These changes will also filter down and impact on state and local taxes, including the property taxes that are the primary subject of this study.

To better reflect the current state of federal taxes and their impact on state and local taxes under evaluation, an analysis and discussion of these changes has been woven into the final report. It is notable, however, that much is still unknown related to the TCJA – it was a fundamental re-write of the federal tax code in a very short timeframe with little public input. Its ramifications will probably not be fully known for at least an entire tax year (and perhaps longer).

Long Island Tax History

Long Island is not alone in its concerns about high taxes; neither is it unique in how it generates revenue for local governments and schools. Nationwide, most municipalities and independent school systems rely on the taxation of wealth, income, and/or consumption. Often, they choose a varying combination of all three, but the predominant source for local governments as a whole in the U.S. is taxation of wealth via the property tax. On Long Island, historically, the levy on real property has been the "go to" tax. The reasons – which have been deemed reasonable in an earlier era -- were simplicity, predictability, stability and fairness. First, land (and what was built on it) had legally-established owners whose deeds and value (through its sales price) were public record. Second, the flow of revenue from property taxes was relatively stable and predictable, as home prices at one time rarely plunged or spiked. Third, land and its improvements were a reasonable proxy for the wealth of the owners, imbuing property taxes with an element of progressivity. With neighborhoods now rising

in value at sometimes wildly uneven rates, and real estate price “bubbles” bringing housing booms and busts, only the first rationale – simplicity – remains indisputably true today.

Prior to World War II, Long Island used the property tax, along with revenue-sharing from the State, to fund a basic set of governmental services. In this simpler time, before the explosion of population that created “America’s First Suburb,” Long Island was largely rural. Only a few town centers dotted the landscape even in the Western areas abutting New York City. After World War II, the character of Long Island changed dramatically. More people meant more roads and bridges, more homes and businesses, and to accommodate the children of the Baby Boom, more schools. The increased density also drove government spending for police, teachers and a host of other public workers. Meanwhile, political and cultural forces led to the desire for local control over people’s government services and schools and the creation of smaller and more specialized governmental jurisdictions. As a result, tax collections soared along with spending, but the burden on individuals did not. With more and more people moving to Long Island, buying more and more new homes, individuals did not see overwhelming increases in their own taxes. The burden was spread out over an increasing number of taxpayers – until it no longer could be.

By the 1960s and 70s, the growth in spending for more and better quality services was continuing unabated. Nassau County, for instance, built a public hospital and bus system. Both counties added to their networks of public parks, even as towns and villages were doing the same under their own management and financing. Schools kept building more classrooms and hiring more teachers, and paying them more each year. Eventually, as Long Islanders became more prosperous and public employee unions became more powerful and skilled at negotiations, government and school district employees became among the highest paid in the nation.

A new era was ushered in as the State and Federal governments established new (often unfunded) mandates. The Federal government’s “War on Poverty” and “Great Society” gave rise to new and greater human service programs that added to local costs. The mid-1960s saw Albany approve a local sales tax, which tapped into Long Island’s robust retail economy, but its revenues were largely consumed by the State’s requirement that counties pay a share of the new Medicaid program. In the 1970s and 1980s, a major state revenue-sharing program was phased out in favor of program-specific partnering agreements with localities. Once population growth stopped in Nassau, followed by a slowing in Suffolk, the burden fell more heavily on existing homeowners. There were few new taxable homes with which to share it. Thus, through the years the pressure on the property tax grew.

Current Related Issues

As stakeholders reported during interviews for the study, efforts to rein in spending – including the more recent cooperation of public employee unions and the imposition of the state property tax cap -- have not assuaged the perception or reality of residents’ concerns. As previously noted, the 2010 Council analysis indicated that, left unchecked, the property tax burden would grow from an unbearable 8.3 percent of median household income in 2010 to an unsustainable 14.4 percent by 2035. Today, Long Island’s nearly three million residents have received public services from hundreds of units of government, from the counties to an elevator district at a single train station. These often overlapping jurisdictions extract more than $13 billion annually from property owners (and indirectly from tenants and consumers). Analysis confirms that, despite efforts at spending control which has slowed growth, the share of Long Island’s income going to property taxes is continuing to rise.

The issue of ability to pay, one heard often from interviewed stakeholders and reflected in public surveys, is a

major concern. The property assessment system – which is widely seen as requiring more than mere tweaking – is not a subject for this report. But property assessments and the individual tax bills calculated from them reflect the “paper” value of a home and not necessarily the income or wealth of its owners. This has been widely viewed as an unfair burden on both young workers and retirees who are not, or no longer, in their peak earning years. Thus, many local policymakers believe, the increasing reliance on the property tax has “driven out” aspiring Millennials and aging Baby Boomers alike, with serious economic and social implications for the region. However, redistributing the pain of the current burden would bring with it new winners and losers and different concerns regarding equity and fairness.

As a regional planning organization, the Project Team views the Council as the only local governmental entity with a responsibility to serve both Nassau and Suffolk Counties. Its members come from all walks of life and levels of government, but its members do not have the power to effectuate transformative change. That power resides in the hands of thousands of independently elected local officials. Additionally, the Governor and State Legislature must authorize any new types of taxes at the county, town, village and school district level and even the rates of sales levies. Of course, the ultimate power rests with Long Island’s residents who elect all of these officials. In a recent poll of likely voters, 65 percent of Long Islanders identified property taxes as their most pressing concern.

Given the level of concern, the Council concluded that the best way it could serve the formation of public policy in this area was by articulating and quantifying issues that have long been the source of speculation. For those interested in exploring alternatives to the current system of assessing “taxes, taxes, taxes,” this report can serve as an objective, data-driven guide.

Long Island Background

Overview

If Long Island were the central city of its own metropolitan area, the bi-county region would be one of the nation's most populous, prosperous and diverse -- racially, ethnically, economically and even geographically. Long Island is also larger than a number of states, and even some of its relatively smaller towns are larger than major cities such as St. Louis, Cincinnati and Milwaukee. When it comes to local spending, the combined budgets of the region's municipalities, school districts and other special governmental units exceed those of many states and all but the nation's largest cities. What follows is a comparative statistical description of Nassau and Suffolk Counties, which provides a foundation for understanding the origins and other issues surrounding region's high spending and taxes.[1]

	Nassau	Suffolk
Economic Indicators		
Median Household Income	$105,870	$92,933
Individual Poverty Level	5.9%	7.3%
% of Population w/ BA or Higher	24.7%	19.1%
Unemployment Rate[2]	4.2%	5.0%
Geographic and Demographic Indicators		
Population	1,361,500	1,492,583
Population Change Since 2010	1.5%	-0.1%
Land Area (square miles)	285	912
Population Density (per square mile)	4,777	1,637
Median Resident Age	41.5	41.2
Housing and Mortgage Characteristics		
Median Home Value[3]	$471,900	$386,400
Total Housing Units	440,785	474,311
Median RE Taxes[4]	$10,000+	$9,391
Median Owner Costs as % of MHI	26.3%	26.8%
Local Government Structure		
County Governments	1	1
Municipal Governments	66	33
Town/Township Governments	3	10
Special Districts	80	129
Independent School Districts	56	68
Total Local Governments	**206**	**241**

Nassau County Profile[5]

Nassau County occupies nearly 300 square miles located approximately 15 miles east of Manhattan and is home to more than 1.3 million people.

The County funds a full range of municipal services, including public safety, health, highways, water and sewer, college education, sanitation, public improvements and parks, recreational facilities and cultural events, as well as planning and general administrative services.

The County is financially accountable for all funds, elected offices, department and agencies of the County, as well as boards and commissions and its legal component units. The funds and component units that are controlled by, or financially accountable to the county are: the Nassau County Interim Finance Authority (the "NIFA"), the Nassau County Tobacco Settlement Corporation (the "NCTSC"), the Nassau County Sewer and Storm Water Finance Authority (the "NCSSWFA"), the Nassau Community College (the "NCC"), the Nassau Health Care Corporation (the "NHCC"), the Nassau Regional

[1] Data per American Community Survey 1-Year Estimates, 2016.
[2] Unemployment rate per U.S. Census for comparability purposes. According to more recent data, Long Island's unemployment rate was 4.5 percent in July 2017. Long Island Association. LIA Monthly Economic Report. September 2017. Accessed electronically at: https://chambermaster.blob.core.windows.net/userfiles/UserFiles/chambers/2181/CMS/Economic-Reports/LIA-Monthly-Economic-Report-September-2017.pdf
[3] Median home value per U.S. Census for comparability purposes. According to more recent data, the median price for a home sold in Nassau County was $525,000 in July 2017, and the median price for a home sold in Suffolk County was $365,000. Newsday. Long Island Median Homes Prices, Sales Activity. Accessed electronically at: http://www.newsday.com/long-island/data/long-island-median-home-prices-sales-activity-1.13611744
[4] According to a study from Attom Data Solutions, single family homes in Nassau County had *average* annual property taxes of $11,232; Suffolk County had *average* annual property taxes of $9,333. Long Island Business News, Nassau County among Highest Property Taxes in U.S. April 6, 2017. Accessed electronically at: http://libn.com/2017/04/06/nassau-county-among-highest-property-taxes-in-us/
[5] Nassau County CAFR, 2015

Off-Track Betting Corporation (the "OTB"), the Nassau County Industrial Development Agency (the "NCIDA"), the Nassau County Local Economic Assistance Corporation (the "NCLEAC"), and the Nassau County Bridge Authority (the "Bridge Authority").

Suffolk County Profile[6]

Spanning 912 square miles, Suffolk County comprises the eastern two-thirds of Long Island and, with a population of more than 1.5 million people, contains slightly more than one-half of the population of Long Island. Suffolk County's western border is approximately 15 miles from the eastern border of New York City. The County is bordered by Nassau County to the west, Long Island Sound to the north, and the Atlantic Ocean to the south and east.

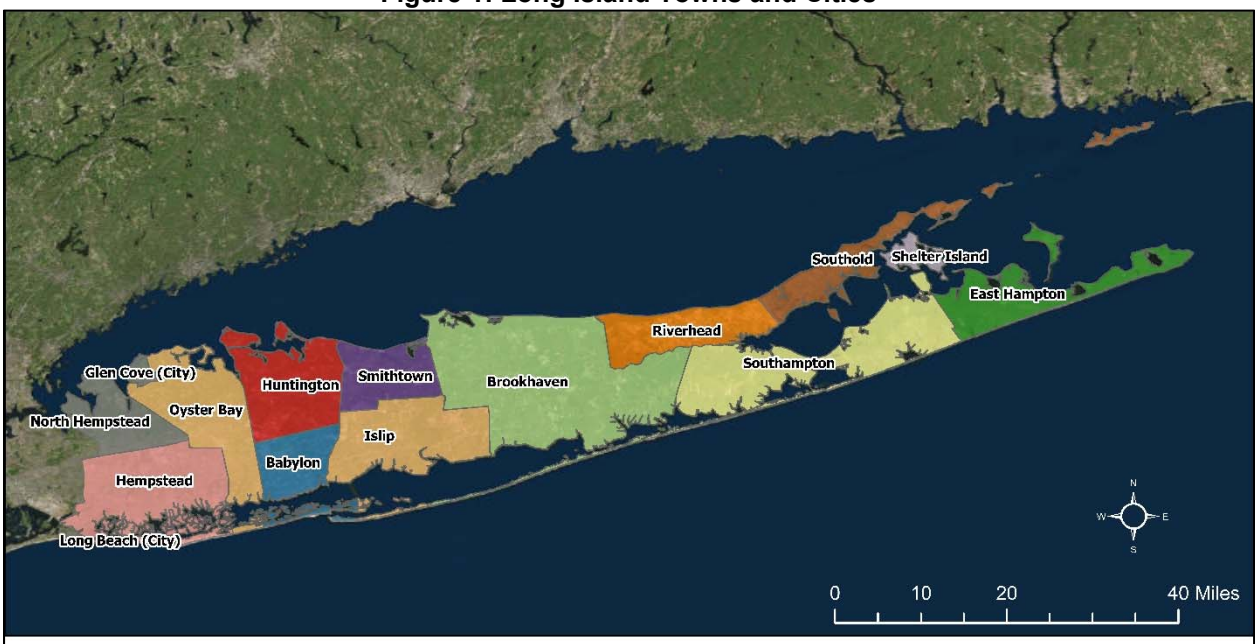
Under the County's charter, it provides certain services, including police and law enforcement, economic assistance, health and nursing services, education, home and community services, transportation, and maintenance of County roads, parks, and waterways. Suffolk County is financially accountable for Suffolk County Community College, Suffolk Regional Off-Track Betting Corporation, the Suffolk County Industrial Development Agency, and the Suffolk County Economic Development Corporation.

The funds and component units that are controlled by or financially accountable to the County include the Suffolk Tobacco Asset Securitization, the Suffolk County Judicial Facilities Agency, the Suffolk County Landbank Corporation, the Suffolk County Community College, the Suffolk Regional Off-Track Betting Corporation, the Suffolk County Industrial Development Agency, the Suffolk County Economic Development Corporation, and the Suffolk County Economic Development Corporation.

The following map illustrates the location of each of the cities and towns on Long Island.

[6] Suffolk County CAFR, 2015

Figure 1: Long Island Towns and Cities



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Notes:

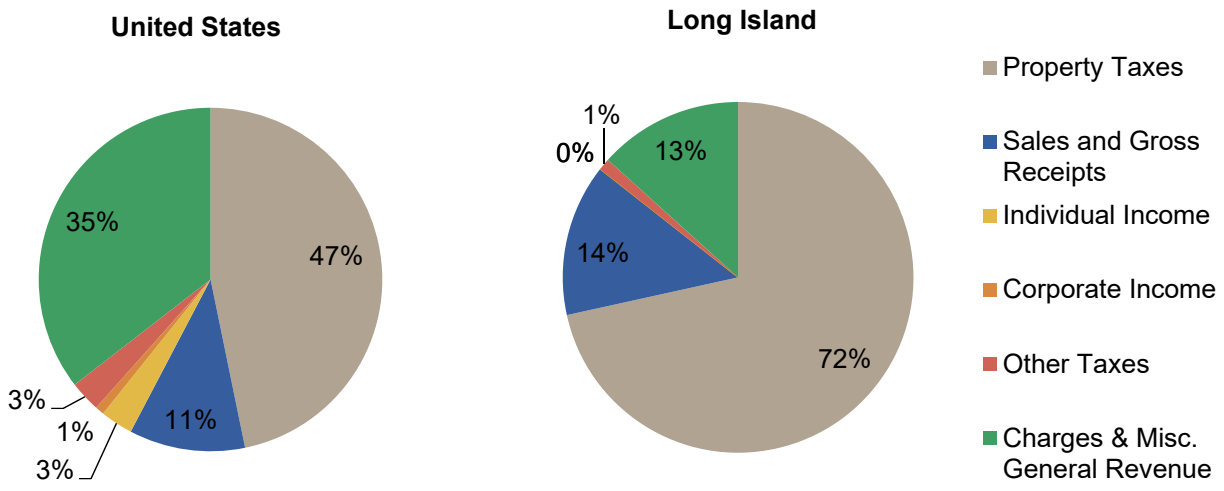
1. Town and city boundaries obtained from New York States GIS Clearinghouse (2017 update)
2. Data for towns and cities are presented in summary tables contained in the appendix.

Key Tax Issues Affecting Long Island Local Governments

High Reliance on Property Tax Revenues

Long Island local governments are more heavily dependent on property taxes and sales taxes than nationwide local governments, and less reliant upon charges for services and other tax revenues, as shown in the following figure. It should be noted that the sources included in the following figure are own source revenues only, and do not include state or federal funds.

Figure 2: Local Government Own Source Revenues, 2014



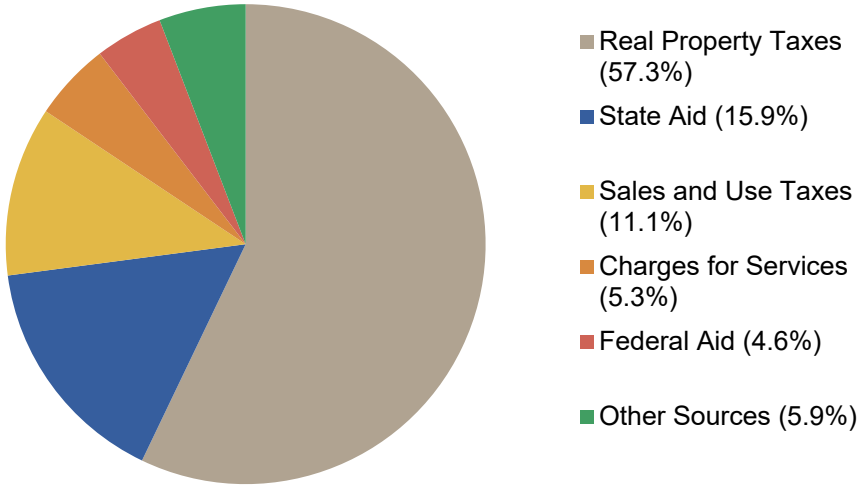
Source: U.S. Census Bureau 2014 Survey of State and Local Governments; NYS Comptroller

While there are some general characteristics of local revenue structures (for example, all states allow the collection of local property taxes), there are some differences as well. For example, some states have significant reliance on local income taxes – but they are a small number of states.

On Long Island, real property taxes and assessments and other real property tax items account for approximately 57 percent of all local revenues. Remaining revenues are composed of state aid (16 percent), sales and use taxes (11 percent), charges for services (5 percent), federal aid (5 percent) and other sources (6 percent).[7]

[7] "Other Sources" includes other local revenues, use of sale and property, other non-property taxes and charges to other governments. Sales tax amounts are the county share only to avoid double-counting.

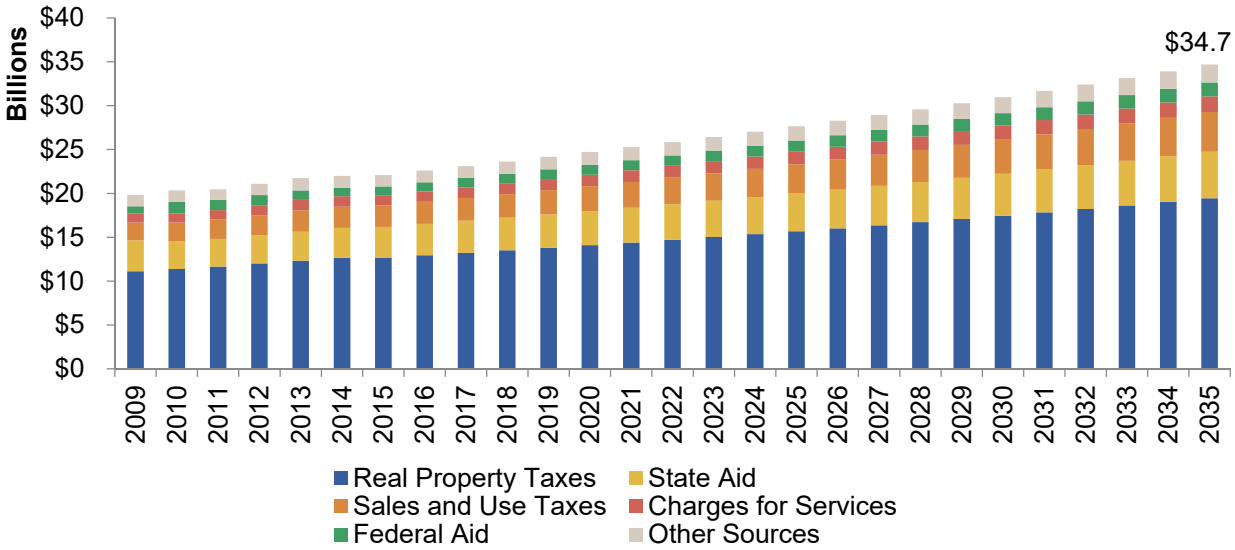
Figure 3: Long Island Total Revenues, 2016



Source: NYS Comptroller

Revenues among all local governments totaled $19.8 billion in 2009, increasing to $22.1 billion by 2015. Total revenues are projected to increase at a rate of 2.3 percent annually, growing to $34.7 billion by 2035. The following figure demonstrates the total actual and projected revenues between 2009 and 2035. A detailed data table is included in Appendix B.

Figure 4: Long Island Local Government Revenues, 2009-2035



Source: NYS Comptroller (2009-2016), PFM budget model baseline projection (2017-2035)

High Property Tax Rates

New York is among the 10 states with the highest effective property tax rates (which is defined as the tax bill as a percent of a property's market value), at 1.88 percent. According to a recent study by Attom Data Solutions, Nassau County is among nine counties in the country that have **average** annual property taxes of more than $10,000.[8] The study found that single-family homes in the County had average annual property taxes of $11,232 in 2016 for an effective tax rate of 1.91 percent. The report also found that single-family homes in Suffolk County had average annual property taxes of $9,333 for an effective tax rate of 1.99 percent. Further, as shown in Table 1, **median** real estate taxes paid in both Nassau and Suffolk Counties are consistently above both the statewide and U.S. average.

Table 1: Median Real Estate Taxes Paid, Units with a Mortgage

Year	Nassau County	Suffolk County	New York State	U.S. Median
2010	$9,530	$8,029	$4,399	$2,319
2011	$9,760	$8,190	$4,606	$2,331
2012	$10,000+	$8,502	$4,669	$2,354
2013	$10,000+	$8,603	$4,832	$2,373
2014	$10,000+	$8,770	$4,982	$2,427
2015	$10,000+	$9,058	$5,206	$2,537
2016[9]	$10,000+	$9,391	$5,423	$2,619

Source: American Community Survey 1-Year Estimates
Note: ACS data caps Median Taxes Paid at $10,000

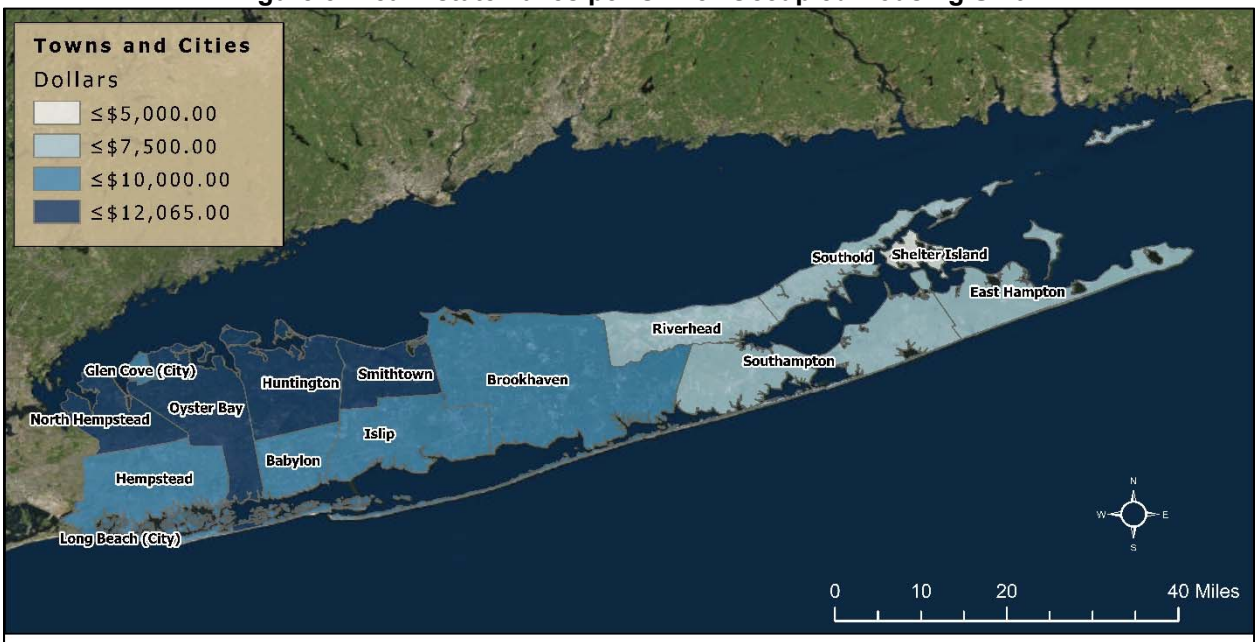
Finally, Long Island is primarily residential, with less commercial and industrial concentration than other areas. Regions with larger business tax bases are typically able to impose lower residential property tax rates, since capital-rich commercial and industrial areas raise tax revenues that allow jurisdictions to maintain lower residential property taxes.

High Residential Property Tax Burden

The measure of property tax as a percentage of median household income was an important part of the discussion in the LI2035 study and is a key benchmark for measuring property tax affordability. As shown in the following map, real estate taxes per owner-occupied housing units in 2015 were highest in Nassau County and western Suffolk County, where taxes per household averaged more than $12,000 annually. The lowest rates were seen in Shelter Island, by far the smallest town in size and population, where the average was $4,300 per own-occupied household. However, these instances are relatively few on the Island, as the average across all towns and cities was $9,300. Minority neighborhoods where housing values traditionally have lagged have borne a disproportionate share of the burden.

[8] Long Island Business News, Nassau County among Highest Property Taxes in U.S. April 6, 2017. Accessed electronically at: http://libn.com/2017/04/06/nassau-county-among-highest-property-taxes-in-us/
[9] According to a study from Attom Data Solutions, single family homes in Nassau County had *average* annual property taxes of $11,232; Suffolk County had *average* annual property taxes of $9,333. Long Island Business News, Nassau County among Highest Property Taxes in U.S. April 6, 2017. Accessed electronically at: http://libn.com/2017/04/06/nassau-county-among-highest-property-taxes-in-us/

Figure 5: Real Estate Taxes per Owner-Occupied Housing Unit



Notes:

1. Real estate taxes and housing data obtained from 2011-2015 American Community Survey (ACS), U.S. Census Bureau.
2. Real estate taxes represents owner-occupied housing units. Note that taxes paid for rental and vacant property data is not captured in ACS data.
3. Data for towns and cities are presented in summary tables contained in the appendix

The Long Island region's 2015 property tax burden (9.0 percent in Nassau County and 8.7 percent in Suffolk County) is significantly higher than the majority of counties being used as comparable counties (ranging from 3.9 percent in Oakland County, Michigan to 8.6 percent in Bergen County, NJ).

Table 2: Property Tax Burden for Homeowners, 2015

County	Median Real Estate Taxes Paid	Median Household Income	Taxes Paid as a % of MHI
Nassau, NY	**$10,564**	**$117,739**	**9.0%**
Suffolk, NY	**$8,852**	**$101,936**	**8.7%**
Bergen, NJ	$9,955	$115,862	8.6%
Middlesex, MA	$5,464	$114,923	4.8%
San Mateo, CA	$6,024	$127,518	4.7%
Montgomery, PA	$4,620	$100,793	4.6%
Oakland, MI	$3,417	$87,718	3.9%

Source: American Community Survey 1-Year Estimates, 2015

Local taxes are increasing faster than residents' ability to pay. The average Long Island household's tax burden[10] increased from 8.6 percent in 2010 to 8.8 percent in 2015. While median real estate taxes grew by a total of 13.8 percent and an average of 2.6 percent annually during that time frame, median household income grew by a total of 10.3 percent and 2.0 percent annually.

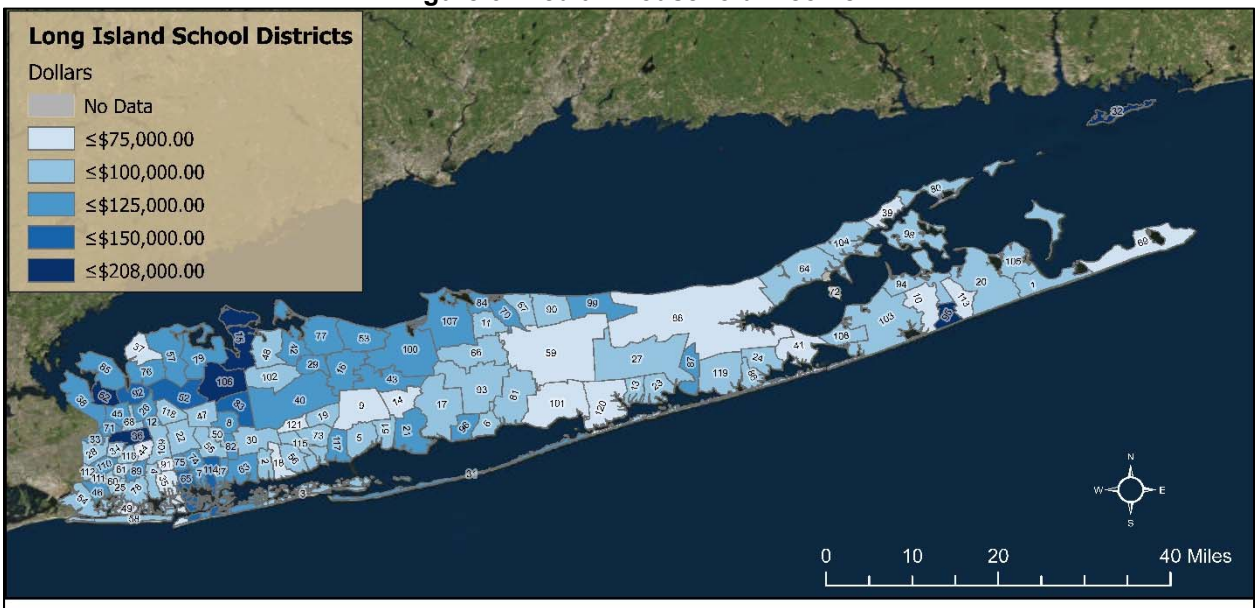
Table 3: Long Island Property Tax Burden, 2010-2015

	2010	2011	2012	2013	2014	2015
Median Real Estate Taxes Paid	$8,529	$8,726	$9,080	$9,183	$9,416	$9,708
Median Household Income	$99,605	$100,149	$103,229	$104,378	$106,409	$109,838
Taxes Paid as a % of MHI	8.6%	8.7%	8.8%	8.8%	8.8%	8.8%

Source: American Community Survey 1-Year Estimates, 2015

The following map displays the median household income on Long Island. While there are pockets of high income in Suffolk County, Nassau County has a greater concentration of higher incomes. Median incomes are highest in Sagaponack Common School District ($208,000) and Cold Spring Harbor Central School District ($204,000). The lowest median incomes are in the Greenport School District ($56,000) and Hempstead School District ($49,000).

Figure 6: Median Household Income



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Notes:

1. Median household income data obtained from 2011-2015 American Community Survey (ACS), U.S. Census Bureau.
2. Labels on this figure are indexed to summary tables in the Appendix.

[10] The Long Island tax burden is calculated as an average of Nassau and Suffolk Counties.

State Property Tax Relief

As will be covered in the next chapter, nearly every state provides some form (or forms) of property tax relief. This is understandable, given the prevalence of it as a revenue source and some of the concerns around its use. States often provide some forms of property tax exemptions, credits or tax limits – and, in some cases, a combination of all three approaches (their use around the country will also be explored in the next chapter).

New York State provides a variety of approaches to property tax relief. For many years, these have been primarily associated with exemptions, with eligibility requirements and the need for applicants to apply for them. The following identify some of the existing New York State property tax relief mechanisms.[11]

New York State School Tax Relief (STAR) Program

STAR, which was enacted in 1997, is a school property tax exemption program. It is targeted at providing property tax relief for primary residential property of New York residents with combined annual income (resident and spouse) of no more than $500,000. Known as Basic Star, it has no age requirements. The Basic STAR exemption varies depending on the municipality/school district. The approximate benefit from Basic STAR is a $316 tax reduction.

Enhanced STAR Program

The Enhanced STAR Program provides an additional property tax exemption for primary residential property of New York residents 65 or older. The income eligibility is more restrictive than for the Basic Star Program; for 2017 and 2018, the limit is combined income of $86,000. It is estimated that the benefit for the Enhanced STAR program is approximately $646 a year.

Senior Citizens Exemption

Beyond the exemptions provided for those 65 and older by the Enhanced STAR Program, local governments and school districts may grant an additional exemption on primary residences by as much as 50 percent. Local governments have a fair amount of flexibility in setting both the size of the exemption and the qualifying income level. The highest percentage of reduction of taxable valuation under this exemption is 50 percent; each county, city, town, village or school district may set the income limit at any point between $3,000 and $29,000. Local governments may also offer a smaller percentage reduction for seniors with annual income over $29,000, with a sliding scale of as little as a 5 percent exemption for incomes up to $37,399.99.

Exemption for Persons with Disabilities

As with the Senior Citizen Exemption, local governments and school districts may grant an exemption for persons with qualifying disabilities. Besides documented evidence of a qualifying disability, there are also income limits. The income limit is the same as for the Senior Citizens Exemption – a 50 percent exemption for those with annual income between $3,000 and $29,000. The same options exist for those with incomes above $29,000 – a sliding scale smaller percentage reduction for up to $37,399.99.

Veterans' Exemption

There are three differing exemptions with varying qualifications, and a veteran may only receive one of the three. However, all three only apply to county, city, town and village taxes – they do not apply to special districts, and school districts have the option to offer two of the exemptions.

[11] Information on these programs may be accessed electronically from the New York State website at https://www.tax.ny.gov/pit/property/default.htm

Property Tax Relief Credit

This four-year program (2016 through 2019) provides a rebate check to qualifying residential property taxpayers. To be eligible, the taxpayer's local taxing jurisdiction must comply with the New York State property tax cap (which is explained in the following section) and must receive a STAR benefit. Qualifying property taxpayers receive a check issued by the State Comptroller. In the first year of the program, qualifying New York State homeowners were eligible for either a $130 or $185 credit depending on the County of residence (New York City residents are not eligible for this program). For 2018 and 2019, the amount of the property tax relief credit is based on a percentage of the BASIC Star savings, varying from 60.0 to 7.5 percent in 2018 and 85.0 to 10.0 percent in 2019, depending on income. For Enhanced STAR recipients, the percentage of their Basic STAR savings are 26 percent in 2018 and 34 percent in 2019.

Property Tax Freeze Credit

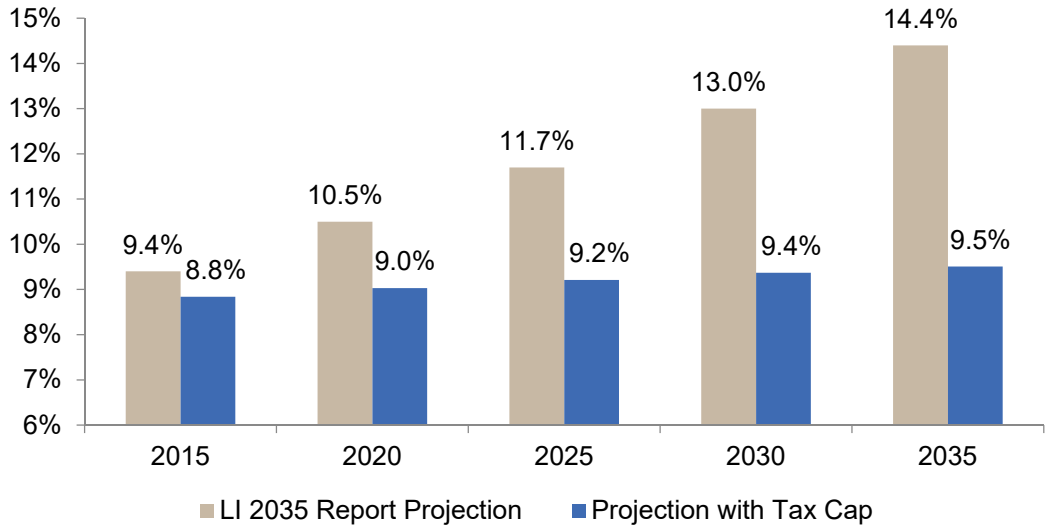
The property tax freeze credit was a tax relief program that reimbursed qualifying New York State homeowners for increases in local property taxes on their primary residences. The program encouraged local governments and school districts to comply with the tax cap and develop approved government efficiency plans to reduce costs. For 2016, the last year of this program, the credit applied to increases in municipal taxes, including counties, cities, towns, villages, and special districts.

To receive the credit, a taxpayer had to receive the STAR property tax exemption or STAR credit; and the taxpayer's home had to be located in a taxing jurisdiction that has complied with the New York State property tax cap, and developed a Government Efficiency Plan to reduce costs and had it approved by the Division of the Budget. As a general rule, the freeze credit fully reimbursed eligible recipients for increases to property taxes and was the greater of the actual increase in the homeowner's tax bill, or the previous year's tax bill multiplied by an inflation factor (the lesser of 2 percent or inflation).

State Property Tax Cap

Enacted in 2011, the property tax cap law took effect for local fiscal years starting on or after January 1, 2012. With some exceptions, the cap limits the amount local governments and most school districts can increase property taxes to the lower of two percent or the rate of inflation. The tax cap, along with other measures, has effectively reduced the tax burden projected in the LI2035 report, as shown in Figure 7.

Figure 7: Projected Long Island Property Tax Burden, LI2035 Report and with Tax Cap



Sources: American Community Survey 1-Year Estimates; LI2035 Report

Since it was implemented in 2012, the property tax cap has slowed the rate of growth in property taxes (although it has not been entirely eliminated). The key question is whether this recent trend is sustainable in the long run.

It could be argued that the cap has permanently affected the way in which governments and schools operate, and that, as a result, this new paradigm of lower increases and more efficient government is likely to continue into the future. However, it should be noted that compliance with the tax cap has been aided by a number of factors:

- Post-recession rise in property values;
- A decline in the required pension payments for governments and schools;
- Depletion of government and school district reserves accumulated prior to the tax cap;
- A stabilization or even decline in school enrollment for many districts;
- A greater increase in State school aid that has permitted school spending to grow faster than property tax increases; and
- Savings from the retirement of long-time, high-paid employees and teachers who are being replaced by new people at or near the entry salary.

Given these key factors, it is an open question as to whether this is sustainable. For example, some of the circumstances (such as market gains reducing required pension payments) are likely to change over time. To the extent that the local property tax growth has been replaced by State revenue, there are a variety of stresses that could make it difficult (or impossible) for the State to continue that level of support.

Federal tax law changes embodied in the recently-enacted TCJA might raise the federal tax burden on state individual income taxpayers, which may make it difficult for the State to maintain its current tax rates. Additional actions, such as reductions in federal assistance (for example, Medicaid or other entitlement programs) or a change in the business cycle could significantly impact the State budget in ways that make it difficult to maintain the cap commitment.

Besides the fact that the Governor and the Legislature could rescind or materially change the cap, if reduced state assistance created difficult local expenditure pressures, local governments could also opt-out of the cap themselves. All of these considerations suggest that the property tax cap as the primary method to reduce the property tax burden may be difficult to sustain in the long-run.

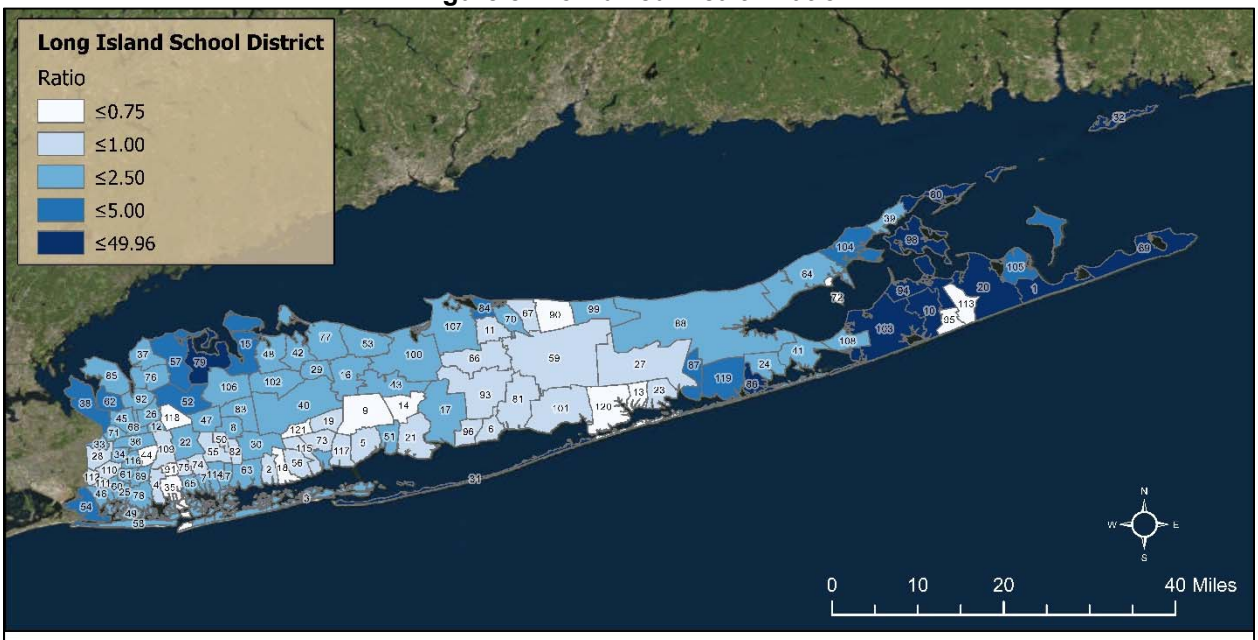
Schools the Largest Component of Property Tax

The New York State Education Department (NYSED) uses a measure known as the combined wealth ratio (CWR) as a determination of state aid per district. The CWR is a measure of relative wealth, indexing each school district against the statewide average on a combination of two factors: property wealth per pupil and income per pupil. Both measures are compared to the state average. The ratios derived from these comparisons are multiplied by 0.5 and added together to form the combined wealth ratio.[12] The following figure displays the CWR as calculated by the New York State Education Department (NYSED). In general CWRs for school districts across the state fall between -2.0 and +2.0. However, on average, the CWR across all districts is 2.9, because certain areas skew that average. For instance, on Fire Island, the CWR is nearly 50, and in Bridgehampton and Quogue School Districts, the ratios are 30.8 and 22.7, respectively.[13] Districts at the lowest end include Wyandanch (0.4), Brentwood (0.3) and Hempstead (0.3). These districts generally receive higher levels of state aid, while those with a higher CWR receive lower levels.

[12] New York State School Boards Association. Accessed electronically at http://www.nyssba.org/clientuploads/nyssba_pdf/CapitalConference/Prompt-Accurate-Adjustments-District-Wealth13.pdf

[13] Per NYSED, the CWR outlier phenomenon occurs when the Pupil Wealth Ratio (PWR), one of the two components of the CWR, is atypically high due to very high actual valuation, a low Total Wealth Pupil Unit (TWPU) count, or perhaps a combination of the two. For example, Fire Island had a 2014 actual value of $2.2 billion but a TWPU of only 43, resulting in a very high PWR of 91.7.

Figure 8: Combined Wealth Ratio



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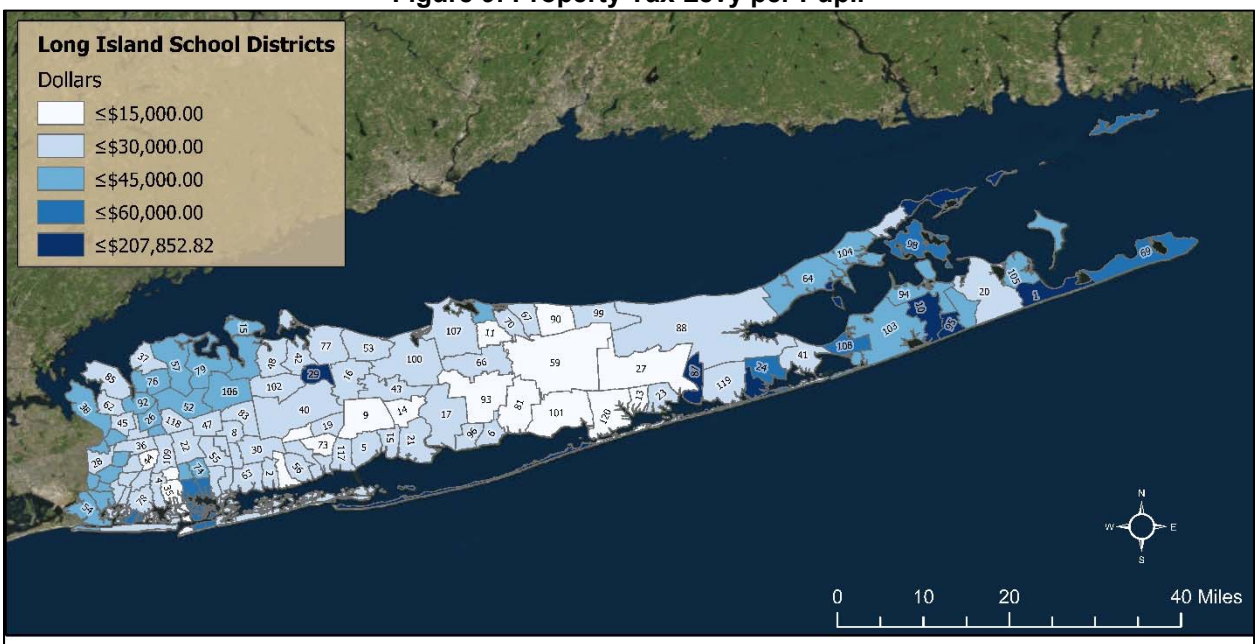
Notes:

1. Combined wealth ratio (CWR) obtained from the New York State Education Department (NYSED).
2. Labels on this figure are indexed to summary tables contained in the Appendix.

Because half of the CWR is the relative property value, the high-value second homes in eastern Long Island add sufficient value to skew the entire ratio to the high end.

The following figure displays the tax levy per pupil. Not surprisingly, it is closely related to the prior map. School districts receiving less state aid generally have a higher tax levy per pupil, and vice versa. For instance, Brentwood School District, with one of the lowest CWRs, has the lowest tax levy per pupil ($5,800).

Figure 9: Property Tax Levy per Pupil



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Notes:

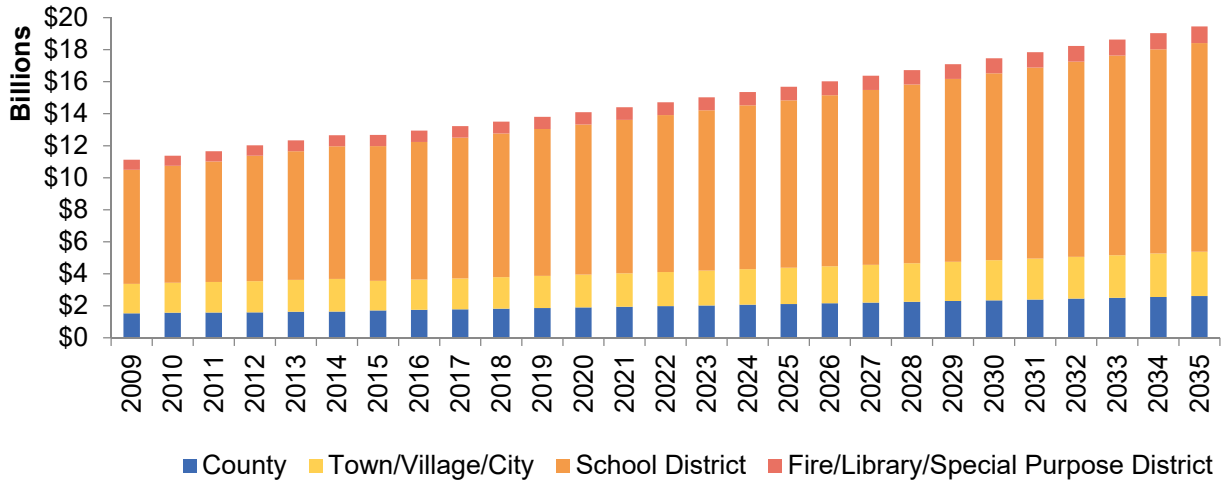
1. Tax levy and student enrollment data obtained from the New York State Office of State Comptroller (2015-2016 School year).
2. Labels on this figure are indexed to summary tables contained in the Appendix.

Total real property taxes and assessments and other real property tax revenues totaled $12.9 billion in 2016. Of that total, more than two thirds goes to public school districts. The two counties collect nearly 14 percent, towns collect approximately 10 percent, and villages 5 percent. The region's fire districts, libraries, special purpose districts and cities account for the remaining 6 percent.

The Project Team's baseline revenue projection assumes that year-over-year increases in real property taxes will be equal to 2.0 percent (in alignment with the tax cap), while other real property tax items[14] will grow at the historical annual average growth rate of 3.7 percent. School district property taxes are projected to increase from $8.6 billion in 2016 to $13.0 billion by 2035. A detailed table is included in Appendix C.

[14] Other real property tax items include special assessments, STAR payments, payments in lieu of taxes, gains from the sale of tax-acquired properties, interest and penalties and miscellaneous tax items.

Figure 10: Property Tax Distribution by Governmental Entity, 2009-2035



Source: NYS Comptroller (2009-2016), PFM budget model baseline projection (2017-2035)

A February 2017 report released by New York State Comptroller Tom DiNapoli highlighted statewide revenue and expenditure trends across nine regions. In the aggregate, the Long Island region relies most on property taxes and other local revenues; 67.6 percent of all school district revenues in the region are from local sources – as compared to 54.5 percent statewide.[15]

Table 4: Property Taxes and Other Local Revenues as a Percentage of Total Revenues

Region	2004-05	2014-15	% Increase
Capital District	48.8%	53.3%	4.4%
Central New York	36.7%	39.1%	2.4%
Finger Lakes	40.3%	40.7%	0.4%
Long Island	**65.5%**	**67.6%**	**2.1%**
Mid-Hudson	61.7%	65.5%	3.8%
Mohawk Valley	30.4%	32.8%	2.4%
North Country	29.5%	32.2%	2.7%
Southern Tier	34.2%	37.8%	3.6%
Western New York	34.9%	36.4%	1.5%
New York State	**51.5%**	**54.5%**	**3.0%**

Source: New York State Comptroller Special Report: Education in New York

[15] New York State Comptroller Special Report: Education in New York (February 2017). Accessed electronically at: https://www.osc.state.ny.us/localgov/pubs/research/education/pdf/education.pdf

Large Number of Taxing Jurisdictions Increases the Overall Levy

There are nearly 450 distinct units of local government on Long Island layered within the network of county, town and village municipalities and school districts. These multiple layers have significant costs associated with labor, overhead and pensions and contribute to the high cost of living on Long Island. Table 5 shows the complicated patchwork of government on Long Island.

Table 5: Units of Local Government on Long Island

	Nassau County	Suffolk County	Total
General Purpose Governments:	**70**	**44**	**114**
County	1	1	2
Municipal	66	33	99
Town/Township	3	10	13
Special Purpose Governments:	**136**	**197**	**333**
Special Districts	80	129	209
Independent School Districts	56	68	124
Total Local Governments	**206**	**241**	**447**

Source: 2012 Census of Governments

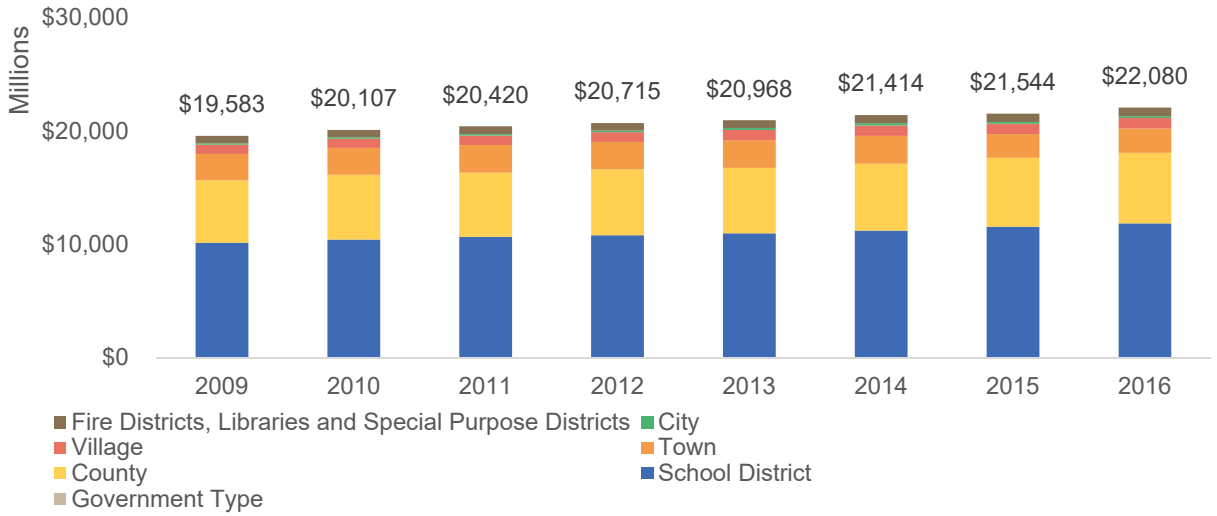
According to the Long Island Index,[16] in the last decade, local government expenditures jumped by 57 percent and tax levies by 64 percent, even as inflation totaled just 30 percent, and the population grew by 3 percent. While spending by school districts climbed the most (70 percent) during that period, spending by special districts like libraries, water, garbage and fire departments increased by 66 percent, and county, town, city and village governments increased by between 36 and 54 percent.[17]

The effect of the tax cap on overall local government spending appears to be negligible. In the years immediately preceding the implementation of the cap, total expenditures increased on average by between 1.5 and 3.0 percent. Since that time, total expenditures have increased by between 0.5 percent and 2.5 percent, averaging a 1.8 increase from year to year.

A decade ago, 68.9 percent of total school district spending was devoted to employee compensation[18] - a figure that remains largely unchanged: total compensation cost as a percentage of total expenditures for all public school districts was 70.1 percent in 2015-16.[19]

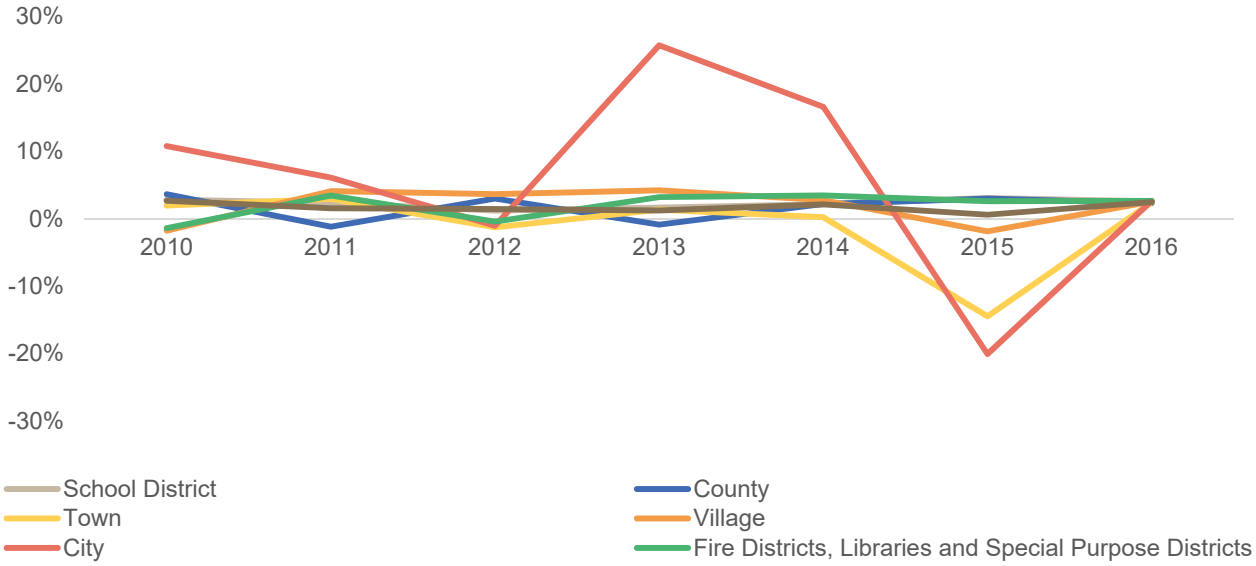
[16] The Long Island Index gathers and publishes objective data on the Long Island Region. More information is available at http://www.longislandindex.org/mission/.
[17] Long Island Index. Accessed May 22, 2017. Accessed electronically at: http://issues.longislandindex.org/#governance
[18] LI2015 Technical Report on Governance, page 9.
[19] New York State Education Department Fiscal Analysis and Research Unit SY2015-16 Fiscal Master File.

Figure 11: Long Island Local Government Expenditures, 2009-2016



Source: NYS Comptroller

Figure 12: Long Island Local Government Year over Year Expenditure Increases, 2009-2016



Source: NYS Comptroller

Sales and Use Taxes a Key Revenue Source, Particularly for Counties

In Nassau and Suffolk Counties, local sales and use taxes are currently imposed at a rate of 4.25 percent. A percentage of total collections within the two counties are distributed among various other local governments as described in Table 6.

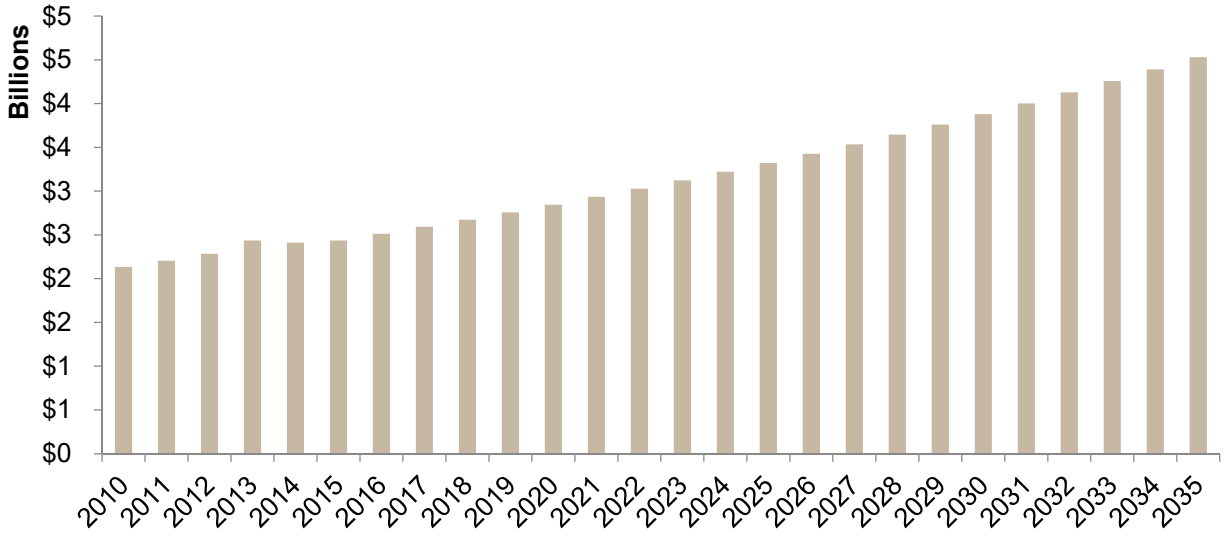
Table 6: County Sales Tax Sharing Agreements

County	Recipients of County Distribution	County Rate	Summary of Sharing Agreements and Arrangements
Nassau	Cities Towns Villages	4.25%	**First 3.00%:** Retained by County. **Additional 0.75%:** The County distributes one-third to fund a local government assistance program for the three towns and two cities within the County. The assistance is distributed quarterly, on a per capita basis, based on the most recent decennial census. Villages also receive assistance, in an amount not to exceed one-sixth of the 0.75% remaining after the towns and cities have received their funding. **Additional 0.50%:** Retained by County.
Suffolk	Towns and Villages with Police Departments	4.25%	**All 4.25%:** Set negotiated amount is shared with each town and village with a separate police department ($6.6 million in 2013). Balance is retained by County.

Source: New York State Comptroller Local Government Sales Taxes in New York State, 2015 Update

Sales and use taxes accounted for 39 percent of County revenues in 2016. Sales and use tax revenues are projected to increase at a rate of 3.15 percent to 2035, equal to the average annual increase experienced between 2009 and 2015.

Figure 13: Long Island Sales and Use Taxes, 2010-2035



Source: NYS Comptroller (2009-2016), PFM budget model baseline projection (2017-2035)

Local Government Revenue Structures Best Practices

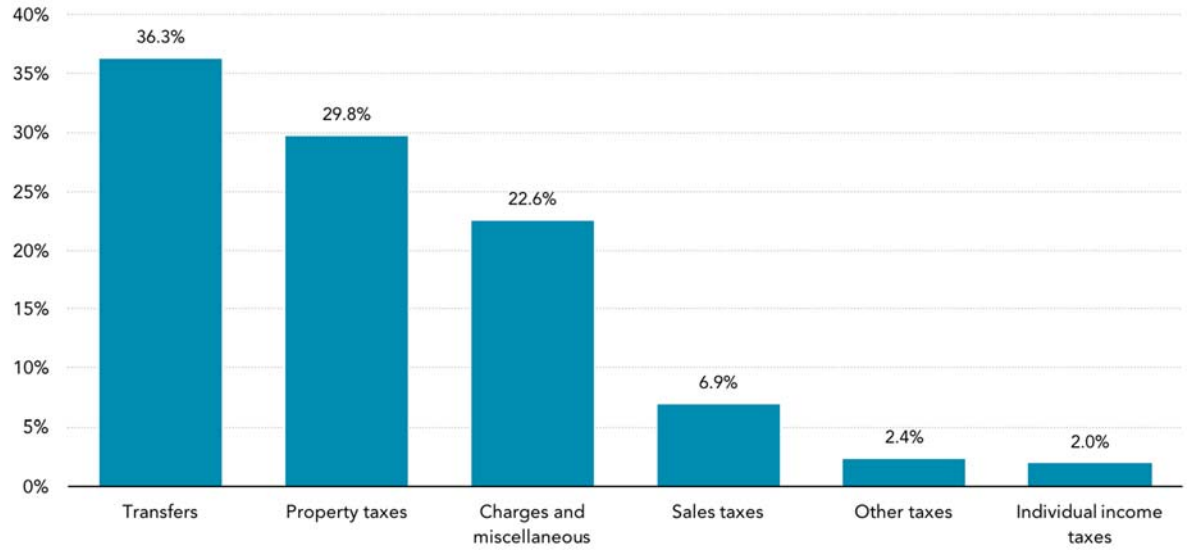
Overview

Across the U.S., local government revenue structures are dominated by the two sources: intergovernmental transfers and property taxes. Intergovernmental transfers are particularly important for local school districts, who get a sizeable portion of their revenue from federal and state aid. For fiscal year (FY) 2014, intergovernmental transfers were the largest revenue source and made up approximately 36 percent of local revenue. Property taxes are, in the aggregate, the second largest local government revenue source. Property taxes have the important attribute of being own-source revenue and thus less susceptible to federal and state budget changes that reduce local government transfers. In FY 2014, property taxes made up approximately 30 percent of local government revenue.

Based on these totals, intergovernmental transfers and property taxes make up approximately two-thirds of local government revenue. The other significant local government revenue component is charges, fees and miscellaneous sources. These total approximately 23 percent of local government revenue. It is notable that this is the category of local government revenue that has been growing over the past 10-20 years, with the share of other taxes (primarily property taxes) shrinking as a result. Much of this growth relates to the fact that fees and charges for services can be accomplished without the direct approval of state government, which is necessary for tax changes.

These sources (intergovernmental transfers, property tax, charges and miscellaneous) make up about three-fourths of local government revenue. No other revenue source accounts for as much as 10 percent of total local government revenue. Two other major revenue sources at the state government level, sales tax and income tax, make up just about 9 percent of combined local revenue. The local government sources by percentage are found in Figure 14:[20]

Figure 14: Local General Revenue by Source, 2014



Source: Urban-Brookings Tax Policy Center, State and Local Government Finance Data Query System

[20] Tax Policy Center, Tax Policy Briefing Book, State and Local Taxes, accessed electronically at http://www.taxpolicycenter.org/briefing-book/what-are-sources-revenue-local-governments

State-Local Relationships

The relationship between state and local governments varies from state to state. Generally, local governments function as political subdivisions of the state. To varying degrees nationally, local governments rely on state government for funding support, and their daily operations and financing are subject to state law and regulation.

There are two basic approaches to the state and local government relationship: Dillon's Rule (which restricts local government authority) and Home Rule (which provides greater local government latitude).

Dillon's Rule is based on two court decisions issued by Iowa State Supreme Court Justice John Dillon in 1868. This is a narrow interpretation of a local government's authority and provides that the state must specifically sanction local government activities. Dillon's Rule was upheld by the U.S. Supreme Court in 1903 and again in 1923.

State constitutions and statutes vary in the level of power they grant to local governments. In the cases where there is doubt as to local government powers, Dillon's Rule requires specific authority for those powers to exist. As a result, Dillon's Rule allows state control over local government structure, methods of financing its activities, its procedures and the authority to undertake functions. Currently, 39 states, including New York, generally follow Dillon's Rule.

Home Rule is a delegation of power from the state to its local governments, in many cases limited to specific areas. It has become an alternative governance method, primarily as a response to the perceived inflexibility of Dillon's Rule. Under Dillon's rule, local officials often have to spend considerable time and effort lobbying the state legislature to approve bills granting local authority and disapprove bills imposing restrictions, often on relatively minor issues. To remove some of the impediments to change (at least in certain areas), many states began to adopt "Home Rule" provisions in the early 1900s. There are currently 10 states that employ home rule (although some others grant home rule status to some of its local governments). The one remaining state, Florida, is aligned with the other Home Rule states except for revenue issues, which are reserved to the State.[21]

As a result of its application of Dillon's Rule, the ability of local governments in New York to impact their revenue structure is severely limited. For local tax revenue, local governments can (with some limitations) only increase or decrease the property tax rate. All other tax rates and the tax base are established by the State and may not be altered without specific legislative authorization. While local governments have the ability to establish fees and charges for services, there are limits. In general, fees and charges for services may only recover the cost of providing the service – if it exceeds that amount, it is deemed to be a tax and requires specific state statutory authority.

Current Revenue Source Diversity

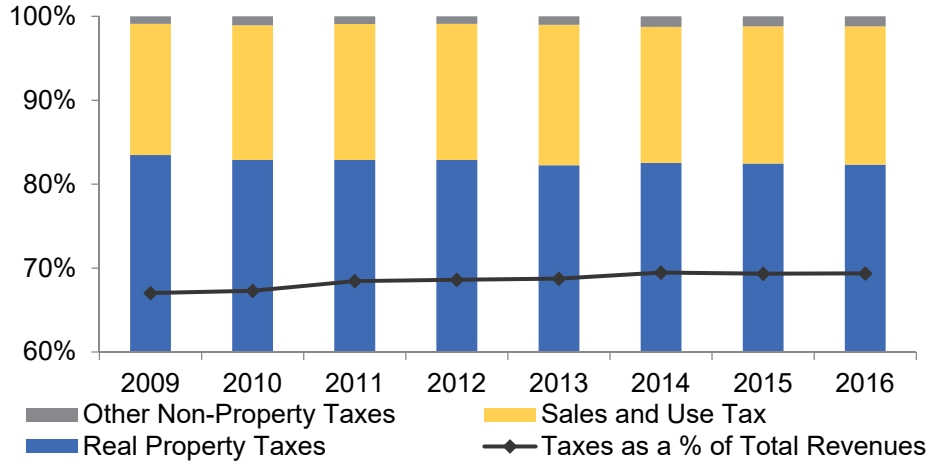
For U.S. local governments, taxes (real property, sales and use, and non-property taxes) accounted for 69.4 percent of total revenues in 2016, an increase from 67.0 percent in 2009. Among all types of tax collected, real property taxes (and other real property tax items) consistently represent more than 80 percent of all tax dollars collected by local governments on Long Island. Sales and selected local excises taxes comprised 16.5 percent of 2016 tax collections, while other non-property taxes are minimal (1.2 percent in 2016).

[21] A general discussion of the state-local government relationship is found on the National League of Cities website at http://www.nlc.org/build-skills-and-networks/resources/cities-101/city-powers/local-government-authority

Long Island local governments do not collect tax on income, a local government revenue source permitted in some other states (such as Pennsylvania and Ohio). In New York State, only New York City and Yonkers impose local income taxes.

There is no perfect tax – each will have some form of negative impact on those who are taxed and/or on economic activity. Tax performance will also vary depending on how the economy is performing. Because negative and positive impacts will vary by the type of tax, revenue diversification can be an important component of a revenue structure, as it may provide some protection over the course of the economic cycle and may also 'spread the cost' of taxation among different classes of tax payers.

Figure 15: Local Government Tax Revenues by Source



Source: PFM budget model data for all Long Island local governments

Key Revenue Attributes

As previously explained, local governments are creations of state government and are largely dependent on the state for the authority to raise revenue. As a result, local governments generally cannot modify the existing structure without the active involvement (or least consent) of the state.

This impacts any discussion of internal strengths and weaknesses and external opportunities and threats related to revenue sources. The following provides a high-level explanation of the key local government revenue sources.

- **Intergovernmental transfers.** Often support politically popular expenditures (such as local schools, roads and public safety) but can vary significantly from year to year, which is hard to plan for. External factors (such as changes in school-age population) may impact dollar amount of transfers that don't align with fixed costs.
- **Property tax.** A historically stable revenue source with high collection rates. At the same time, an unpopular tax and one where ability to pay can be an issue. Its unpopularity creates political pressure on states to limit its growth and/or provide forms of property tax relief. By far the most prevalent local government revenue source in use in all 50 states.
- **Fees and charges for services.** A growing revenue source that can often be characterized as a 'user fee.' However, the fees cannot exceed the cost of providing the underlying local government service or it can be challenged as an (unauthorized) tax. Some types of fees (or how they are

administered) may reduce economic activity, particularly those surrounding permitting and other development activities.

- **Sales tax.** A well understood tax (because of its widespread use in 45 states[22]) that benefits from its collection in, for the average consumer, thousands of taxable purchases a year. **The sales tax base has been eroding for 50 years (related to changes in consumption, electronic commerce, demographics and legislated exemptions), which has reduced collections as a share of personal income.** The tax is also generally collected by the state, which saves on local administrative costs but relinquishes some local control over how the tax is administered. Widespread use in a number of states, many times as a local option tax dedicated to reducing property taxes. The tax also can lead to reductions in sales because of cross-border competition from neighboring jurisdictions without or with a lower sales tax rate.
- **Income tax.** A well understood tax (because of its use by 43 states and the federal government) that generally aligns with taxpayer 'ability to pay.' In areas where its use by local governments is not uniform, there can be concerns that mobile taxpayers will locate to avoid the tax. Widespread use by local governments in a small number of states and occasional use elsewhere, often in larger cities.
- **Other taxes.** Depending on state authorization, some local governments have the authority to collect various excise and other taxes. These include alcohol, amusement, cigarette, insurance premium, plastic bag and sugared beverage taxes. In most cases, these are not broad-based taxes and are not a significant revenue source. In cases where the tax rates are high, it can lead to concerns about cross border competition.

Tax Policy Considerations

There are a number of important considerations when constructing and assessing the efficacy of a tax and revenue structure. These are generally focused on issues of fairness, stability, economic competitiveness and ease of administration. The following discusses these key considerations.

Fairness

A good tax system should distribute the tax burden across taxpayers in a manner that is consistent with the accepted norms of fairness and equity. These norms typically define fairness according to the relationship between the amount of taxes paid (or borne) by taxpayers and their respective abilities to pay the tax, or to the benefits received by them from government programs. Three widely-accepted norms of fairness are:

- **Vertical Equity.** This concept requires that the amount of tax paid by taxpayers with different income levels should reflect their respective abilities to pay the tax. Specifically, taxes paid as a percentage of income should not unduly burden taxpayers with limited ability to pay the tax. Some would view this principle as satisfied by a proportional tax burden, where taxes paid are the same percentage of income for taxpayers at all income levels. Others believe that the principle requires that taxes paid as a percentage of income should be higher for taxpayers with more income than those with less income (a progressive tax burden).
- **Horizontal Equity.** According to this concept, taxpayers with similar abilities to pay a tax should pay comparable amounts of the tax. More generally, the principle of horizontal equity enjoins the government from levying taxes that have arbitrary and peculiar distributions of tax burdens across taxpayers or from levying dissimilar tax burdens on taxpayers that are not justified by differences in their ability to pay or by distinctions in the benefits they receive from government programs.

[22] The five states without a state sales and use tax are Alaska, Delaware, Montana, New Hampshire and Oregon.

Stability
A good tax system is expected to generate sufficient revenue to pay for established public services without the need for continuous or drastic changes in tax rates or in the tax base. Stability also reflects a structure that can withstand economic and other shocks without encountering dramatic swings in revenue collections.

Economic Competitiveness
A good tax system should not distort economic decisions. Distortions cause a measurable loss in the economic value of production and consumption, which increases the tax burden on the resident taxpayers.

Simplicity/Ease of Administration
Individuals should be able to readily understand and comply with their obligations as a taxpayer. The rules, record-keeping and computation requirements should be simple enough that the tax system can be administered at low cost by the tax collection agency without imposing an undue compliance burden on the taxpayer.

Methods to Advance Tax Policy Goals
It is a basic fact of taxation that there is no perfect tax, but, as Justice Oliver Wendell Holmes noted, they "are the price we pay for ordered society." As a result, governments often tailor a tax to ameliorate some of its more problematic features. As has been noted, property taxes can often have problems related to ability to pay, and a variety of approaches have been taken to seek to mitigate that concern. The following identify some of the approaches.

Exemptions and Credits
As noted in the prior chapter, the State of New York provides a variety of property tax exemptions – some of which (those for senior citizens, disabled individuals and veterans in particular) are offered by many other states. Another common exemption (or credit) in many states is a homestead exemption (which, in some respects, is similar to the State STAR program). As the name implies, it provides some portion of exemption for the taxpayer's primary residence. Their impact varies considerably, with some states providing a substantial exemption of assessed value. A few states also provide an exemption entirely based on income. There are also states that provide a renter's credit or rebate.[23]

Circuit Breakers
The concept of a property tax circuit breaker is that taxpayers with income below an identified level will obtain relief when their property tax bill exceeds a certain percentage of their income. A majority of states provide some form of a circuit breaker, but who qualifies and the extent of relief varies widely. The following are some key determining characteristics for a circuit breaker:

- **Age determinations.** The majority of states only provide the benefit to senior citizens (generally age 65 or older).
- **Income eligibility.** Most circuit breakers are targeted to lower income individuals and households. Many programs also provide a sliding scale of benefit based on eligibility.
- **Percent of income subject to the circuit breaker.** Most circuit breaker programs require property taxes to exceed a certain percentage of income.

[23] A useful discussion of exemptions, credits, rebates and other programs is National Association of Counties, "Property Taxes: A Look at Exemptions, Tax Limits and Assessment Cycles," accessed electronically at http://www.naco.org/sites/default/files/documents/Property%20Taxes%20A%20Look%20at%20Exemptions,%20Tax%20Limits%20and%20Assessment%20Cycles.pdf

- **Other characteristics.** Nearly all programs have some cap on the amount of benefit to an eligible taxpayer. Most also only apply to home owners, although there are a few that apply to renters as well. Finally, most programs are state administered and provide the same benefit throughout the state, but there are some locally initiated and funded programs.

Tax Limits

Most states provide some limits on local property taxes. For example, at the county level, 45 states place limitations on county property tax authority.[24] The limits take various forms, including:

- Tax rate limits (generally where the rate is limited in growth or capped at a specific tax rate)
- Assessment limits (generally related to the percent increase in a given year)
- Rollbacks ('rolls back' the percentage increase in property taxes in a given year where growth is limited but allows that increase to be applied in future years if the growth rate limit is not reached)
- Expenditure limits (where property taxes are a local government's primary revenue source, a limit on growth in expenditures will also generally limit the growth in property taxes)
- Property tax freeze (generally limiting the overall increase in property tax bills to a certain percentage per year).

Of course, the State of New York has used a property tax freeze since January 1, 2012, and this is a significant issue for discussion throughout this report.

Tax Policy Interrelationships

While the general principles of taxation are logical – and mostly non-controversial – it should be accepted that these general tax principles will sometimes conflict, and it will be necessary to weigh the costs and benefits of adhering to the principles. For example, a broad sales tax that taxes goods and services that are perceived to be necessary (rather than optional) purchases will promote revenue sufficiency and stability but have a negative impact on vertical equity. As another example, some taxes exhibit a trade-off between revenue sufficiency and volatility or stability. Over the years, the personal income tax has exhibited significant volatility based on the business cycle and other variables. At the same time, in strong growth periods they have out-performed other revenue sources in terms of levels of growth and ability to "bounce back" to prior levels.

These trade-offs suggest the need for the use of several forms of taxation to off-set specific impacts or defects in a particular tax. This type of complementary approach is considered a taxation "best practice." Often this approach means a combination of taxes on different types of economic activity or outcomes. Taxes generally are imposed on wealth (such as a property tax), income (such as an income tax) or consumption (such as a general sales or excise tax). This type of balanced structure, in tax parlance, is sometimes referred to as a 'three legged stool.'

Long Island Local Government Revenues and Best Practices

Long Island local governments' tax and revenue structures look a lot like those in local governments around the country. In the aggregate, they primarily rely on the property tax (in particular because of its use by school districts). Charges for services are an important revenue source, in particular for cities, towns and villages – and this aligns with their use in the country as a whole. Finally, sales taxes are a significant component,

[24] A recent description of cumulative state restrictions on County property taxes and expenditures was done by the National Association of Counties, "Doing More with Less, State Revenue Limitations and Mandates on County Finances," November 2016, accessed electronically at http://www.naco.org/resources/doing-more-less-state-revenue-limitations-and-mandates-county-finances.

particularly for counties. In fact, this is the largest revenue source for both Nassau and Suffolk Counties – as it generally is for counties in the State of New York. In that respect, New York counties are using that revenue source to a larger degree than other counties around the country – but they are not alone in that level of use.

It can be said that the reliance on the property tax is a concern for local governments across the country. It is notable that, over the past 10-20 years, there has been some reduction in the reliance on the property tax – primarily by increasing fees and charges for services.

The specific discussion of Long Island tax burdens, particularly related to property tax, will build on this discussion. In general, the actions by both state and local governments in recent years suggest a wish to ameliorate some of the burden of the property tax.

Peer Government Comparisons

Overview

The following case studies represent large, suburban counties with fairly high incomes and lower poverty and unemployment rates. While every revenue structure shares some similarity, there are also many differences, even among similar governments. Their methods are explored in the context of what might be replicable on Long Island. While no credible alternative should be overlooked, state and regional issues may constrain some choices.

The following case studies detail the types of uses of the three major broad-based revenue sources – real property, sales and income tax. In each of these areas, significant variation exists related to how the taxes are applied, what part of the base is subject to tax, what the rates are, and what deductions, exemptions or credits may be provided.

These studies profile and compare the use of sales, property and income taxes and provide analytical context related to how the use of these revenue sources (based on the factors identified above) impacts on key revenue concepts, such as equity, efficiency, sufficiency, reliability, volatility, simplicity and administration.

For this study, benchmark counties were chosen based on similar economic, demographic and other characteristics to Nassau and Suffolk Counties. The selected Counties are:

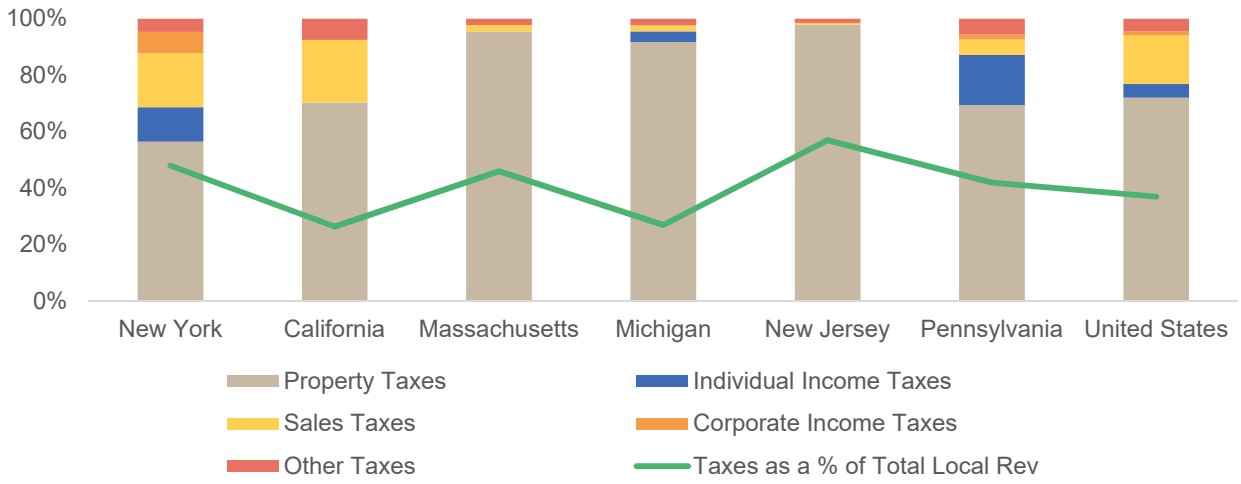
- San Mateo, CA (San Francisco metro)
- Bergen, NJ (New York City metro)
- Middlesex, MA (Boston metro)
- Montgomery, PA (Philadelphia metro)
- Oakland, MI (Detroit metro)

In order to make effective comparisons, it is important to first understand the state and local government structure in each of the regions included in the comparison. These characteristics are discussed in the following analysis.

Statewide Local Government Revenues

Relative to the comparison states, local governments in New York are generally the least reliant on property taxes as a source of tax revenue (at 56.5 percent), while Michigan, Massachusetts and New Jersey are the most reliant on the tax (at 91.7, 95.5 and 97.9 percent, respectively). Much like the average local municipality in the U.S., New York local governments receive nearly 20 percent of their revenues from sales and use taxes.

Figure 16: Local Government Tax Revenues by Source, 2015



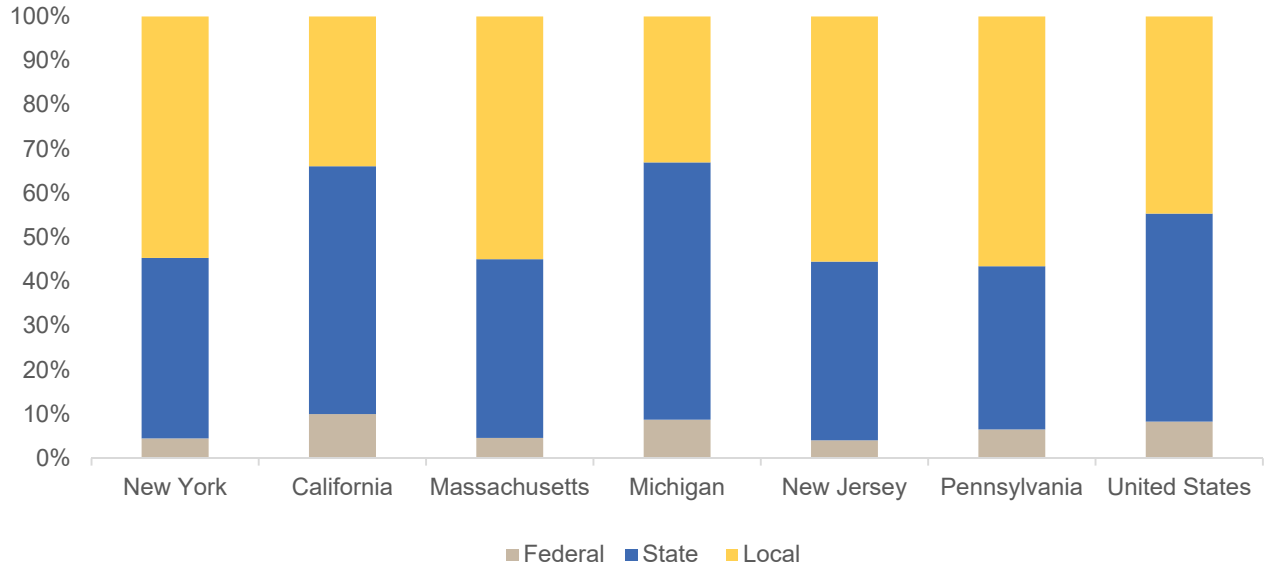
Source: U.S. Census Bureau 2015 Annual Survey of State and Local Government Finances

Public Education Funding

As mentioned previously, K12 education is the primary driver of local government spending on Long Island. An important part of comparing municipalities is understanding the ways in which education is funded across the benchmark counties' states.

The State of New York's public education funding source composition (55 percent local, 41 percent state and the remainder federal) looks similar to Massachusetts, New Jersey and Pennsylvania. California and Michigan have a higher reliance on state sources (56 and 58 percent, respectively), as compared to approximately 40 percent for the other states.

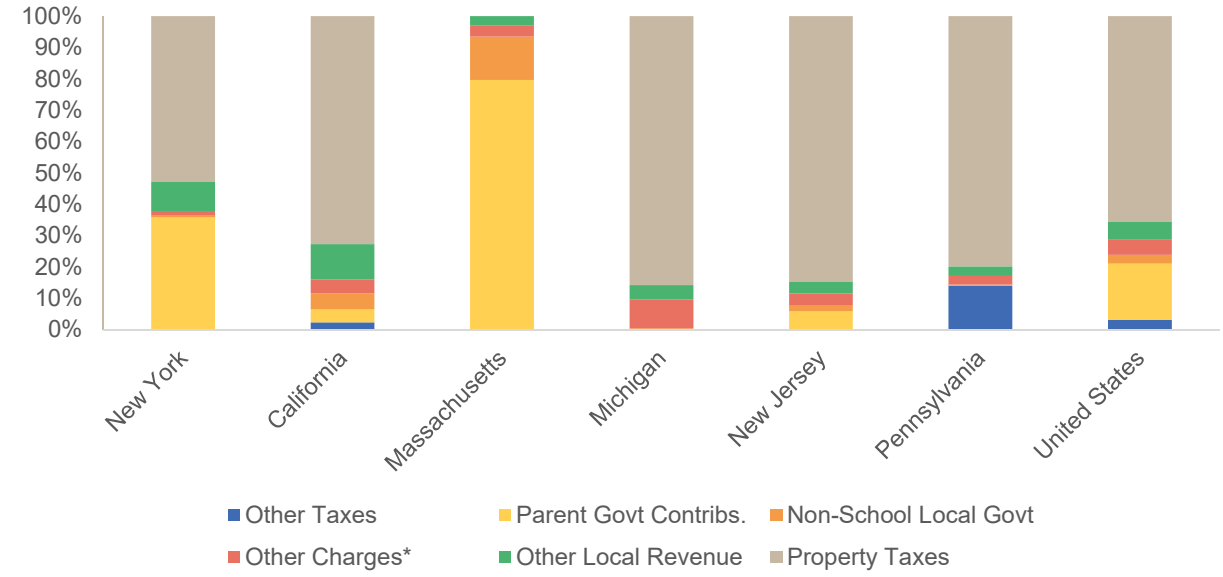
Figure 17: Elementary-Secondary Revenue by Source, 2015



Source: U.S. Census Bureau, 2015 Annual Survey of School System Finances

Of total local school-related revenues, New York has the lowest property tax reliance among states collecting local property taxes for school districts. New York schools have a relatively high dependence on parent government contributions, as shown in the following figure.

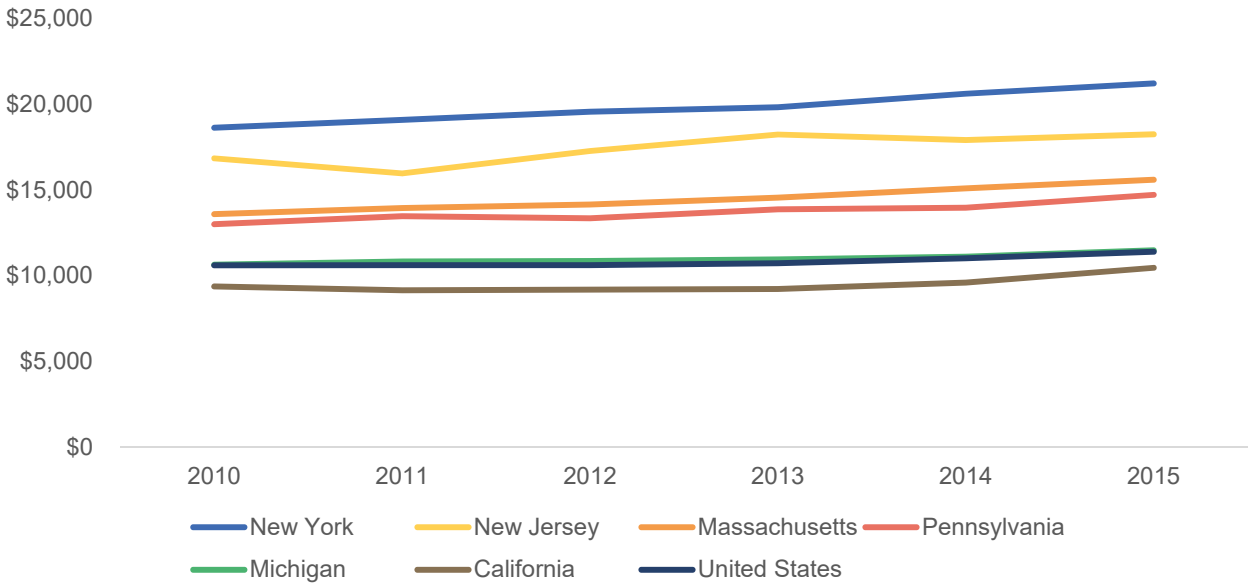
Figure 18: Local Elementary-Secondary Revenue, 2015



Source: U.S. Census Bureau, 2015 Annual Survey of School System Finances
**Other Charges include school lunch, tuition and transportation*

Another important factor for comparison is the taxpayer cost of school district operations. Per pupil current spending in New York is the highest among the comparison states, averaging $18,618 in 2010 and growing to $21,206 by 2015. New York also has nearly the highest compound annual growth during that time frame at 2.6 percent, second only to Massachusetts at 2.8 percent. The national average annual growth in per pupil spending is 1.5 percent.

Figure 19: Per Pupil Current Spending, 2010-2015



Source: U.S. Census Bureau, 2015 Annual Survey of School System Finances

It should be noted that a report released in February 2017 by New York State Comptroller Tom DiNapoli found that the median per pupil spending in New York Schools was $22,658, but the average cost of educating a student varies by region. The report found that wealthier districts relied more heavily on property tax revenue – and on Long Island, 68 percent of revenue was from property taxes and other locally based sources.[25]

[25] New York State of Politics. Report: Per Pupil Spending in NY Schools Tops $22k. February 24, 2017. Accessed electronically at: http://www.nystateofpolitics.com/2017/02/report-per-pupil-spending-in-ny-schools-tops-22k/

Table 7: County Profile Comparison

	Nassau	Suffolk	San Mateo	Bergen	Middlesex	Mont-gomery	Oakland
Economic Indicators							
Median Household Income	$105,870	$92,933	$108,627	$93,683	$95,249	$84,113	$71,920
Individual Poverty Level	5.9%	7.3%	6.5%	6.9%	7.8%	6.2%	8.5%
% of Population w/ BA or Higher	24.7%	19.1%	29.3%	30.4%	27.4%	27.5%	26.4%
Unemployment Rate[26]	4.2%	5.0%	3.3%	4.6%	4.1%	4.9%	4.8%
Geographic and Demographic Indicators							
Population	1,361,500	1,492,583	764,797	939,151	1,589,774	821,725	1,243,970
Population Change Since 2010	1.5%	-0.1%	6.2%	3.6%	5.6%	1.8%	3.4%
Land Area (square miles)	285	912	448	233	818	483	868
Population Density (per square mile)	4,777	1,637	1,707	4,031	1,943	1,701	1,433
Median Resident Age	41.5	41.2	39.5	41.4	38.5	41.4	41.0
Housing and Mortgage Characteristics							
Median Home Value[27]	$471,900	$386,400	$1,002,400	$462,800	$477,500	$307,500	$224,400
Total Housing Units	440,785	474,311	263,445	337,227	593,437	312,447	500,750
Median RE Taxes[28]	$10,000+	$9,391	$7,304	$10,000+	$5,765	$4,844	$3,576
Median Owner Costs as % of MHI	26.3%	26.8%	24.7%	24.9%	22.0%	21.4%	19.5%
Local Government Structure							
County Governments	1	1	1	1	0	1	1
Municipal Governments	66	33	20	61	12	24	39
Town/Township Governments	3	10	0	9	42	38	21
Special Districts	80	129	48	2	61	54	11
Independent School Districts	56	68	24	72	13	23	29
Total Local Governments	**206**	**241**	**93**	**145**	**128**	**140**	**101**

[26] Unemployment rate per U.S. Census for comparability purposes. According to more recent data, Long Island's unemployment rate was 4.5 percent in July 2017. Long Island Association. LIA Monthly Economic Report. September 2017. Accessed electronically at: https://chambermaster.blob.core.windows.net/userfiles/UserFiles/chambers/2181/CMS/Economic-Reports/LIA-Monthly-Economic-Report-September-2017.pdf

[27] Median home value per U.S. Census for comparability purposes. According to more recent data, the median price for a home sold in Nassau County was $525,000 in July 2017, and the median price for a home sold in Suffolk County was $365,000. Newsday. Long Island Median Homes Prices, Sales Activity. Accessed electronically at: http://www.newsday.com/long-island/data/long-island-median-home-prices-sales-activity-1.13611744

[28] According to a study from Attom Data Solutions, single family homes in Nassau County had *average* annual property taxes of $11,232; Suffolk County had *average* annual property taxes of $9,333. Long Island Business News, Nassau County among Highest Property Taxes in U.S. April 6, 2017. Accessed electronically at: http://libn.com/2017/04/06/nassau-county-among-highest-property-taxes-in-us/

Key Takeaways

Each peer government has implemented various initiatives to mitigate property tax growth and residential tax burden. For summary purposes, key initiatives are listed below; however, Appendix F provides greater detail on peer government revenue structures, property tax burden and affordability.

San Mateo County, CA

- San Mateo County has successfully implemented a series of voter-approved sales tax increases to help fund vital services.

Middlesex County, MA Cities

- Cities within the County depend upon excise taxes to supplement property taxes. This includes motor vehicle and hotel/motel taxes.
- In Middlesex County, many cities and towns may give property tax exemptions to some individuals as defined by state law that provide relief for primary residence owners, first-time homebuyers and the elderly.

Montgomery County, PA

- Of 62 municipalities in Montgomery County, the majority (79.0 percent) impose a 0.5 percent municipal earned income tax (EIT) on their residents. An additional 14.5 percent of municipalities impose an EIT between 0.6 percent and 1.6 percent, while only four municipalities (6.5 percent) do not impose a municipal EIT.

High Level Findings

Based on the discussions of Long Island tax and revenue structures and their relationship to the nation as a whole and peer local governments, the following high level findings are a useful intermediate "stopping off point" prior to discussion of revenue and expenditure alternatives. The Project Team identifies the following as key high level findings:

- **Long Island local government property tax burden and rates are high, even among peer governments in other high-cost metropolitan areas.** Among peer counties, which include those in the New York City, Boston, San Francisco and Philadelphia areas, the Long Island Counties are among the highest.

- **Compared to local governments nationally, Long Island property taxes make up a larger share of own source revenue.** This suggests that revenue diversification would be a logical step even if property tax rates were not so burdensome.

- **Local schools are the predominant consumers of property tax revenue.** Given the generally strong support for Long Island local public schools, this suggests that there will be considerable long-term demand for additional revenue to support their operation.

- **The State property tax cap has helped to slow the percentage growth in Long Island property taxes.** Calculations by the Project Team show that, in comparison to the projections from the Long Island 2035 study, there has been a significant bending in the property tax cost curve. However, there is still a projected continued increase in property taxes, and the existing bending of the curve has occurred during an expansion of state spending for K-12 education that may not be sustainable. The 2018-19 State Budget increases K-12 funding by $1 billion. While this increase of 3.57 percent is significant, it is the lowest increase in seven years.

- **The State property tax cap has not materially changed Long Island's standing as a high property tax region.** Even with several years of reduced rates of growth, there has been no real change in the region's standing versus its benchmark counties in property tax burden. For example, a recent study from Attom Data Solutions found that single family homes in Nassau County had *average* annual property taxes of $11,232; Suffolk County had *average* annual property taxes of $9,333.[29]

- **High property taxes have negative (and significant) impacts on Long Island residents and businesses in ways that will limit regional growth and prosperity.** As has been noted, the property tax is primarily a wealth tax, but as residential property values on Long Island have grown, the connection between the tax and the ability to pay has deteriorated. The following impacts were identified by stakeholders during interviews for the study as well as in data related to home ownership and the demographics of Long Island residents:

    - Erects an entry barrier for those just starting their careers or young families, because the costs of home ownership are too high
    - Makes it difficult for long-time home owners to stay in their homes (even when it is paid for), because fixed incomes are growing more slowly (or not at all) compared to property taxes

[29] Long Island Business News, Nassau County among Highest Property Taxes in U.S. April 6, 2017. Accessed electronically at: http://libn.com/2017/04/06/nassau-county-among-highest-property-taxes-in-us/

- Can hinder businesses' efforts to recruit highly skilled workers, because in comparison to other regions where they may be working, overall housing costs are not affordable
- Can hamper the region in recruiting businesses because of concerns about worker shortages, as well as high commercial property taxes that add to operating costs
- Creates a "tight market" for employers with less skilled workers, as wages either have to rise because of property taxes as a part of housing costs or worker shortages must be accepted as a business fact of life

- **The benchmark counties demonstrate a variety of strategies to replace property taxes and/or develop targeted programs that provide property tax relief, encourage homeownership or other methods to spur economic growth.** Among the strategies that have been used in these counties:

  - Local income taxes that replace property taxes (Montgomery County)
  - Successful campaigns for voter-approved tax increases to fund vital services (San Mateo sales tax increases)
  - Property tax relief programs targeted at key outcomes (San Mateo, Massachusetts property tax structures that benefit moderately valued residential properties)
  - Sales taxes that replace property taxes (Oakland County)

- **The benchmark counties (and cities within them) also demonstrate a variety of strategies to reduce operating expense.** Among the strategies that have been used in these counties:

  - Reduction in staffing levels (Montgomery County)
  - Reduction in public safety and public works overtime (Lowell)
  - Efficiencies gained through use of zero-based budgeting (Montgomery County)
  - Proactive employee benefit reforms (Oakland County)

Based on these findings, the project team believes that alternate approaches to the existing regional revenue structure, coupled with strategies to encourage local cooperation and efficiencies, provide encouraging opportunities to strengthen the region in key areas, including its economic and demographic make-up and its public sector operations.

Alternate Revenue Structures

Introduction

As noted in the prior discussion and high level findings, despite the property tax cap, the residential property tax burden on Long Island is seen as an impediment to regional economic vitality. The property tax cap has helped to 'bend the curve' on property tax increases and slow some of its continued consumption of Long Island resources. While the property tax cap has been helpful, it cannot (at least in the foreseeable future) change the region's standing as a very high property tax area, and this will continue to have negative consequences.

A major – and valid – concern is that a shift to an alternative revenue structure will take some of the pressure off the existing limits on expenditures. The alternatives that will be presented in this chapter are meant to be replacements – not supplements – for existing property tax revenues. Restrictions that continue to exist, including requirements for public approval for school district budgets should be kept in place to maintain checks on expenditure growth within the system. Likewise, mechanisms can be put into place in the new structures to provide similar types of brakes on spending that currently exist with the property tax cap.

Residential Property Tax Burdens in the New York City Region

One way to approach how far Long Island would have to go to reduce property taxes for its residents is to compare the Long Island property tax burden to the tax burden experienced in other counties in the region.

Table 8 displays the median taxes paid and median household income, along with the resulting property tax burden, in select New York City-area Counties in 2015. While property tax burdens in the area are high relative to much of the rest of the county, counties in the region have relatively similar tax burdens, varying by less than three percent. Of the counties, Hudson County, New Jersey has both the lowest median taxes paid in 2015 ($7,951) and the lowest property tax burden (8.3 percent).

When Nassau and Suffolk Counties are averaged, the median taxes paid on Long Island are $9,708. Reducing this amount to $7,951 (to be in alignment with Hudson County) would require an 18.1 percent reduction in median taxes paid, which would result in a property tax burden of 7.2 percent, the lowest in the region.

Table 8: Property Tax Burdens for Select New York City-Area Counties, 2015

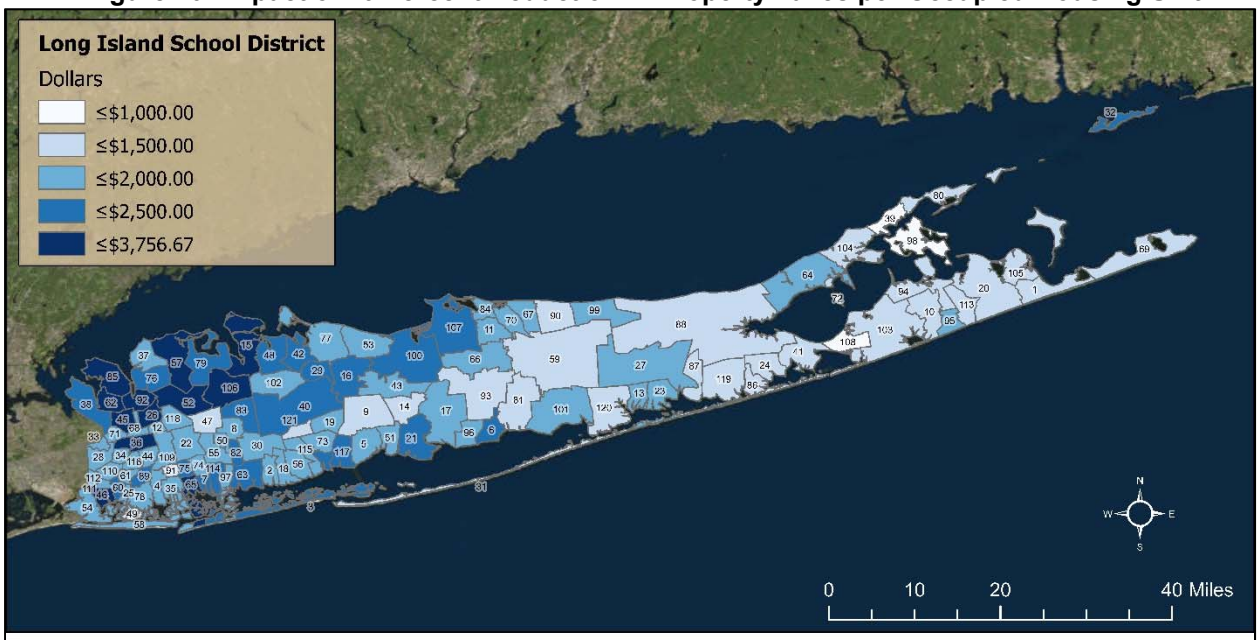
County	Median Taxes Paid[30]	Median Household Income	Property Tax Burden
Suffolk, NY	**$8,852**	**$101,936**	**8.7%**
Nassau, NY	**$10,564**	**$117,739**	**9.0%**
Westchester, NY	$13,859	$124,679	11.1%
Rockland, NY	$11,040	$110,486	10.0%
Essex, NJ	$9,981	$103,573	9.6%
Bergen, NJ	$9,955	$115,862	8.6%
Hudson, NJ	$7,951	$95,289	8.3%

Source: U.S. Census Bureau American Community Survey 1-Year Estimates (2015)

[30] U.S. Census data for median taxes paid caps at $10,000. Because Nassau, Westchester, Bergen and Rockland Counties all exceeded this threshold in 2015, growth in median taxes paid for those counties are estimated based on 5 years of history.

The following figure displays the estimated impact of an Island-wide 20 percent property tax reduction. Households in Nassau County would benefit most, with some districts experiencing significant reductions. In Cold Spring Harbor, savings per housing unit would be nearly $3,800; average reductions would also exceed $3,000 in East Williston ($3,300), Manhasset ($3,200), Jericho ($3,200) and Roslyn ($3,100). It should be noted that there is a correlation between property taxes paid and reduction received. The more taxes a homeowner pays, the more they would save; housing units in these districts have the highest real estate taxes per owner-occupied unit.

Figure 20: Impact of 20 Percent Reduction in Property Taxes per Occupied Housing Unit



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Notes:

1. Real estate tax and housing data obtained from 2011-2015 American Community Survey (ACS), U.S. Census Bureau.
2. The 20 percent reduction was adjusted to include all occupied housing units (i.e., owner-occupied and renter-occupied units). Vacant properties are not included.
3. Labels on this figure are indexed to summary tables contained in the Appendix.

In many respects, a reduction of property tax burden in the range of 20 to 25 percent is a reasonable goal for this exercise. Given the current property tax burdens, it is a tangible replacement of thousands of dollars for the average Long Island residential property taxpayer. Of course, a more significant goal (property tax reduction by one-third or one-half) is possible, but it would require a commensurately larger source and type of replacement for the foregone property tax revenue.

Another viable approach would focus the property tax reduction for whom the property tax is least affordable – those on fixed incomes (such as seniors) or at lower levels of income among homeowners (often younger individuals and/or couples and families). This 'targeting' of property tax relief has the advantage of providing greater relief to a more selective group of property taxpayers. On the other hand, it loses some of the appeal of broad-based property tax relief.

Both approaches are valid, and both have advantages and disadvantages. The following provides the framework for how those approaches can be adopted for Long Island. Ultimately, the decision on which model is more appropriate for the region will reside with its policymakers.

Projected Long Island Residential Property Taxes

According to baseline projections, property taxes (residential and commercial) will total more than $14 billion by 2020, growing to nearly $19.5 billion by 2035.[31] Of this total, 84 percent is estimated to be residential, in alignment with the breakdown of residential versus non-residential assessed value.[32] Given this, it is estimated that without action, residential property taxes are projected to total $16.4 billion by 2035, as shown in Table 9.

Additionally, the table below displays the additional non-property tax revenue that would be needed to provide varying degrees of property tax relief to Long Island residents.

In order to reduce the aggregate residential property taxes by 20 percent, $2.3 billion from an alternate revenue source would be needed in 2018, increasing to nearly $3.3 billion by 2035. Reducing residential property taxes by 30 percent would require $3.4 billion in 2018, growing to more than $4.9 billion by 2035. While both of these examples would require significant reform, it may be more feasible to implement meaningful property tax relief for certain taxpayers that are particularly burdened by the current system through the use of a property tax circuit breaker funded by smaller, targeted revenue sources. These likely more feasible options are discussed in the following analysis.

Table 9: Projected Residential Property Taxes Through 2035

	2018	2019	2020	2025	2030	2035
Baseline Res. Prop. Taxes ($ millions)	$11,367	$11,611	$11,861	$13,197	$14,693	$16,368
Target Reduction	**Additional Non-Property Tax Revenue Required ($ millions)**					
20%	$2,273	$2,322	$2,372	$2,639	$2,939	$3,274
30%	$3,410	$3,483	$3,558	$3,959	$4,408	$4,910

As discussed previously, the property tax cap has been effective at bending the curve of property tax growth and associated burden, but it has been unable to (and was not intended to) completely cap it. The question, then, is what options does Long Island have to adjust its current tax structure to provide varying levels of property tax relief? The following analysis provides key alternatives for consideration along with a discussion of the benefits and challenges of each option.

Key Alternate Revenue Structures

Local governments on Long Island are primarily dependent upon sales and income taxes to fund their operations. As a result, moving the needle on property taxes – without major reductions in spending - requires significant alterations to the traditional “three legged stool” of tax structure: property, sales and income taxes.

[31] Total includes real property taxes, special assessments and other real property tax items.
[32] New York State Department of Taxation and Finance.

Generally, three potentially revenue neutral approaches can be used to reduce property taxes:

- Reduce property taxes by increasing the local sales tax rate, base or collection rate
- Reduce property taxes by imposing a local income tax
- Reduce property taxes by increasing the local sales tax rate, base or collection rate and imposing a local income tax

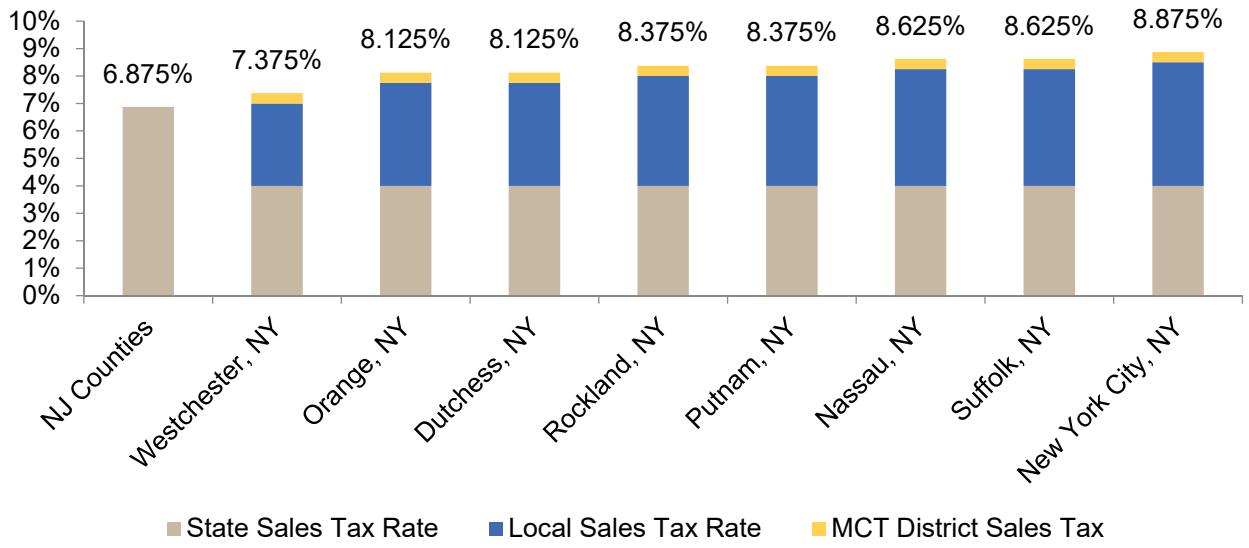
As noted in the introduction, there are a variety of additional tax sources in use by local governments around the country. All of the other tax sources are not sufficiently broad (in terms of the base that is taxed) to be, by themselves, a viable alternative to the property tax. In fact, local governments that have enacted excise taxes that raised significant amounts of revenue (such as through a local cigarette, alcohol or gas tax) have also experienced negative impacts in terms of lost sales to surrounding areas, which is generally referred to as 'cross border competition.'[33] These taxes could be used as methods to create an additional mix of alternate revenues (perhaps to reduce somewhat the impact of a broader-based sales or individual income tax), but the negative consequences that they would likely bring (in terms of lost sales and retail activity) are likely to be at least as great as any negative effects from the broader-based revenue alternatives.

Alternative #1: Reduce Property Taxes by Increasing the Local Sales Tax Rate

The following figure displays the total sales tax rates in New York City-area counties. It is notable that the State of New Jersey does not allow the imposition of local sales tax, resulting in a total current rate of 6.875 percent, all of which is collected and retained by the State. When compared to New York counties in the region, which impose local sales taxes in addition to the State and Metropolitan Commuter Transportation District (MCTD) sales taxes, New Jersey's rate is the lowest in the region. At a total rate of 8.625 percent, Nassau and Suffolk Counties are lower only than the five counties that comprise New York City, which impose a total rate of 8.875 percent.

[33] Cross border competition is an important issue that has been examined and documented in a variety of locations and is applicable to a number of different taxes. See, for example, Mehmet S. Tosun and Mark L. Skidmore, "Cross-Border Shopping and the Sales Tax: An Examination of Food Purchases in West Virginia," The B/E/ Journal of Economic Analysis and Policy Vol. 7 Issue 1(Topics), 2007 Article 63 (dealing with sales tax differentials); William H. Hoyt and J. William Harder, "MSA Location and the Impact of State Taxes on Employment and Population: A Comparison of Border and Interior MSA's," Institute for Federalism and Governmental Relations, Working Paper No. 2005-01, 2005 (dealing with tax rates and employment and population); Patrick Fleener, "How Excise Tax Differentials Affect Interstate Smuggling and Cross Border Sales of Cigarettes in the United States," Tax Foundation Background Paper No. 26, October 1998. For a region, a particularly telling study was done for a symposium sponsored by the Federal Reserve Bank of Chicago, which estimated sales (and businesses) lost from Illinois to Indiana based on differentials in sales and excise taxes, "Impact of Retail Taxes on the Illinois-Indiana Border," William Lilley III and Lawrence J. DeFranco, InContext Inc., July 17, 1996.

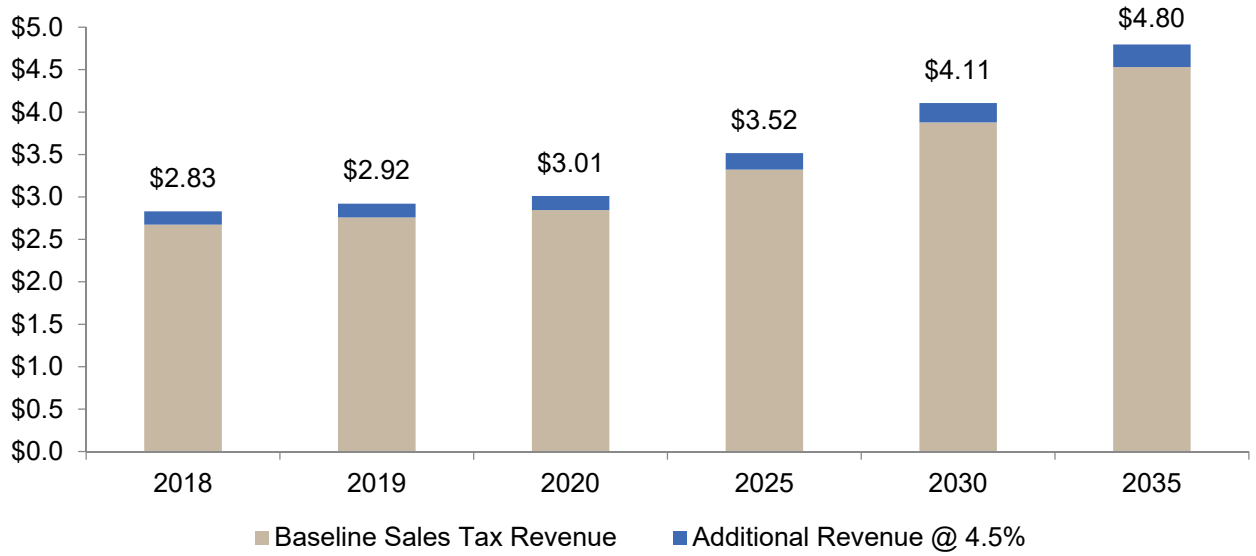
Figure 21: Sales Tax Rates for Select New York City-Area Counties[34]



New York City's local sales tax rate is 4.5 percent, while Nassau and Suffolk Counties impose the tax at 4.25 percent. Increasing Long Island's rate by .25 percent commensurate with New York City would yield nearly $160 million in additional revenue in 2018, growing to nearly $270 million by 2035. With the additional sales tax revenues and no other revenue-generating measures, sales and use taxes would grow to $4.8 billion during that time frame, as shown in Figure 22. However, overall, the measure would result in a small overall reduction in property taxes (an estimated 1.4 percent). A complete list of New York State sales tax rates is included in Appendix D.

[34] New Jersey does not allow the imposition of local sales tax. Additionally, the state rate was 7.0 percent until January 1, 2017 and will be reduced to 6.625 percent on January 1, 2018.

Figure 22: Impact of Increasing Local Sales Tax Rate to 4.5 Percent ($ billions)



And of course, if Long Island opted to reasonably increase the local sales tax rate in order to reduce residential property taxes, the impact on property taxpayers would depend upon the significance of the rate increase. Raising the local sales tax rate to 5.25 percent, equal to a one percentage point increase, would increase the total sales tax rate on Long Island to 9.625 percent but generate an estimated 5.5 percent reduction in 2018 property taxes.

Table 10: Estimated Impact of Local Sales Tax Rate Changes

Proposed Local Sales Tax Rate	Resulting Property Tax Reduction (2018)	Additional Revenue Generated ($ millions)					Resulting Property Tax Reduction (2035)
		2018	2020	2025	2030	2035	
4.50%	1.4%	$157.3	$167.3	$195.4	$228.2	$266.5	1.6%
4.75%	2.8%	$314.6	$334.7	$390.8	$456.4	$532.9	3.3%
5.00%	4.2%	$471.8	$502.0	$586.3	$684.6	$799.4	4.9%
5.25%	5.5%	$629.1	$669.4	$781.7	$912.8	$1,065.9	6.5%

The preceding table represents a static analysis, with no allowance for elasticity of demand. As previously noted, there is a great deal of research on the impact of higher sales and excise taxes in one location than surrounding locations. Many studies have found that differential sales tax rates affect shopping patterns. In general, these studies find that a 1 percent higher sales tax rate in comparison with surrounding areas will result in per capita sales that are between 1 and 6 percent lower.[35] The type of sales tax rate that would be necessary to be a significant replacement for the property tax would be so high as to dramatically impact on retail activity on Long Island. As a result, by itself, the sales tax is a possible replacement, but its side effects could be costly for retail businesses in the region.

[35] See generally "How Different are Sales Tax Rates along Georgia's Border?" Georgia State University Andrew Young School of Policy Studies, Fiscal Research Center, February 12005, Number 99, p.1. More specifically, it was found that a 3 percent phased-in reduction in West Virginia's sales tax rate for grocery purchases led to an increase of 5.9 percent for each percentage point reduction in the sales tax rate for counties along the West Virginia state border, M.J Walsh and
J.D. Jones, "More Evidence on the 'Border Tax' Effect: The Case of West Virginia," National Tax Journal, 1988, 61(2): 261-65.

Strengths, Weaknesses, Opportunities and Threats

Strengths	Weaknesses
- Generally, sales taxes are more palatable than property taxes as they are collected in small increments over the course of a year, where property taxes are collected in larger payments - Taxes on consumption better align with 'ability to pay' than property tax (tax on wealth) - Sales tax revenues have been outpacing property tax revenues in recent years; this trend is expected to continue - Long Island is relatively insular due to its geography, which somewhat limits competition	- Sales taxes are considered regressive taxes - Making a significant impact through sales tax increases alone would require substantial rate increases, putting Long Island in an unfavorable position in the region - Sales taxes are suffering from 'base erosion' because of changes in consumption, purchases via the Internet that may not capture taxes owed and legislated exemptions. Sales tax as a share of personal income has been declining for 50 years
Opportunities	**Threats**
- It is possible that either the Supreme Court (through overturning Quill v. North Dakota) or Congress (through passage of the Main Street Fairness Act) will require sellers via the Internet to collect sales taxes on all purchases - Should other neighboring jurisdictions increase their local (or state) sales tax rate, it will provide more opportunity for Long Island local governments to do the same	- It is possible that state attempts to expand the 'nexus' requirements for collection of sales tax on Internet purchases will be struck down by the U.S. Supreme Court - Even if the U.S. Supreme Court modifies Quill, it is possible that Congress will in some way regulate state ability to tax these sales

Alternative #2: Reduce Property Taxes by Imposing a Local Income Tax

The other viable revenue source to replace a portion of local property taxes would be a local income tax. Currently, New York City and Yonkers are the only cities in the State of New York to impose local income taxes. Generally, there are two ways to impose income taxes: taxing gross earnings or enacting a surcharge on the individual taxpayer's state income tax liability. New York City does the former, taxing the taxable income of residents on a sliding scale ranging from 1.2 percent to 3.875 percent, while Yonkers does the latter, imposing an earnings tax of 16.75 percent of State tax liability.

As has been noted, the income tax is not generally used by local governments. Four states with broad use include Pennsylvania and Ohio cities and all counties in Indiana and Maryland (where state statute requires all counties to impose an income tax). That said, the tax is in use in a number of larger cities around the country. The following table identifies some of those cities and the income tax rate that is imposed, as well as other notable features:

Table 11: Local Income Tax Rates in Select Cities

City	Rate	Notes
Baltimore, MD	3.05, 1.25%	Resident, non-resident
Birmingham, AL	2.5%	Residents and non-residents
Bowling Green, KY	1.85%	Residents and non-residents
Cincinnati, OH	2.10%	Residents and non-residents
Cleveland, OH	2.00%	Residents and non-residents
Columbus, OH	2.50%	Residents and non-residents
Dayton, OH	2.25%	Residents and non-residents
Detroit, MI	2.50, 1.25%	Residents, non-residents
Kansas City, MO	1.00%	Residents and non-residents
Lexington, KY	2.25%	Residents and non-residents
Louisville, KY	2.20, 1.45%	Residents, non-residents
New York, NY	2.907% – 3.876%	Residents, by income
Newark, NJ	1.00%	Imposed on employers
Philadelphia, PA	3.98, 3.4985%	Residents, non-residents
Pittsburgh, PA	3.00, 1.00%	Residents, non-residents
San Francisco, CA	1.50%	Imposed on employers
St. Louis, MO	1.00%	Residents and non-residents
Toledo, OH	2.25%	Residents and non-residents
Washington DC	4.00 -8.50%	By income
Wilmington, DE	1.25%	Residents and non-residents

There are also some cities that impose a flat rate, regardless of income. For example, Denver, Colorado imposes a rate of $5.75 per month per employee with earnings over $500; in Charleston, West Virginia, the tax is $2.00 per week and is imposed on employers.

Income Tax on Gross Earnings

Long Island residents' aggregate federal Adjusted Gross Income (AGI) in 2014 was $121.3 billion, and it has grown at more than 4.0 percent annually in recent years.[36] As shown in the following table, if the region imposed an earnings tax of 1.0 percent of gross income, it would generate an estimated $1.4 billion in 2018, increasing to more than $2.8 billion by 2035. As a result of the additional revenues, property taxes would be reduced by 12.5 percent in 2018, growing to 17.2 percent of what would have otherwise been collected by 2035. If, alternatively, Long Island wished to reduce the property tax by 20 percent, a tax rate of 1.60 percent of gross earnings would be needed, generating $2.3 billion in 2018 and growing to almost $4.5 billion by 2035.

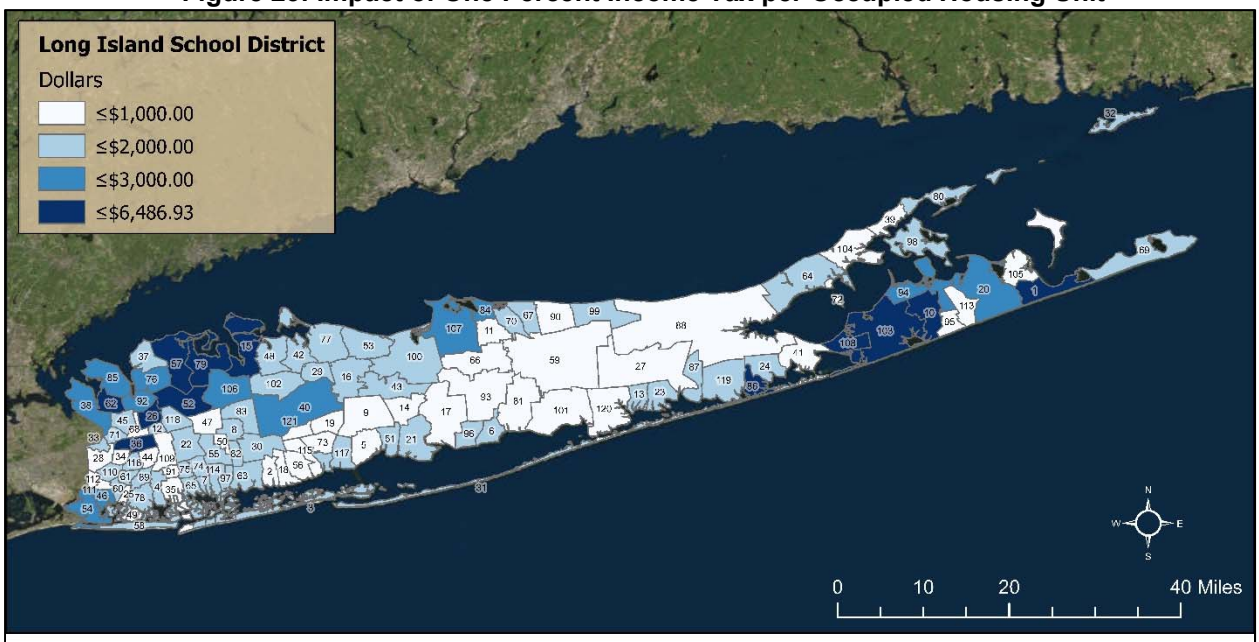
Table 12: Estimated Impact of Taxing Earned Income

Proposed Rate	Resulting Property Tax Reduction (2018)	Additional Revenue Generated ($ millions)					Resulting Property Tax Reduction (2035)
		2018	2020	2025	2030	2035	
1.00%	12.50%	1,423.7	1,542.3	1,883.6	2,300.5	2,809.6	17.2%
1.60%	20.00%	2,273.4	2,462.7	3,007.7	3,673.4	4,486.4	27.4%

[36] NYS Department of Taxation and Finance, 2014 Total Income and Tax Liability by Place of Residence – taxable returns only

As shown in the following figure, a 1.0 percent income tax would most impact the wealthier areas of both Nassau and Suffolk Counties. For example, imposing the tax would result in a bill of $6,487 per household in Cold Spring Harbor School District and $5,203 per household in Manhasset School District. Alternatively, the tax would least impact lower-income areas, such as Wyandanch ($597 per household) and Hempstead ($535 per household). The average bill per household across all districts would be $1,575, while the median would be $1,181.

Figure 23: Impact of One Percent Income Tax per Occupied Housing Unit



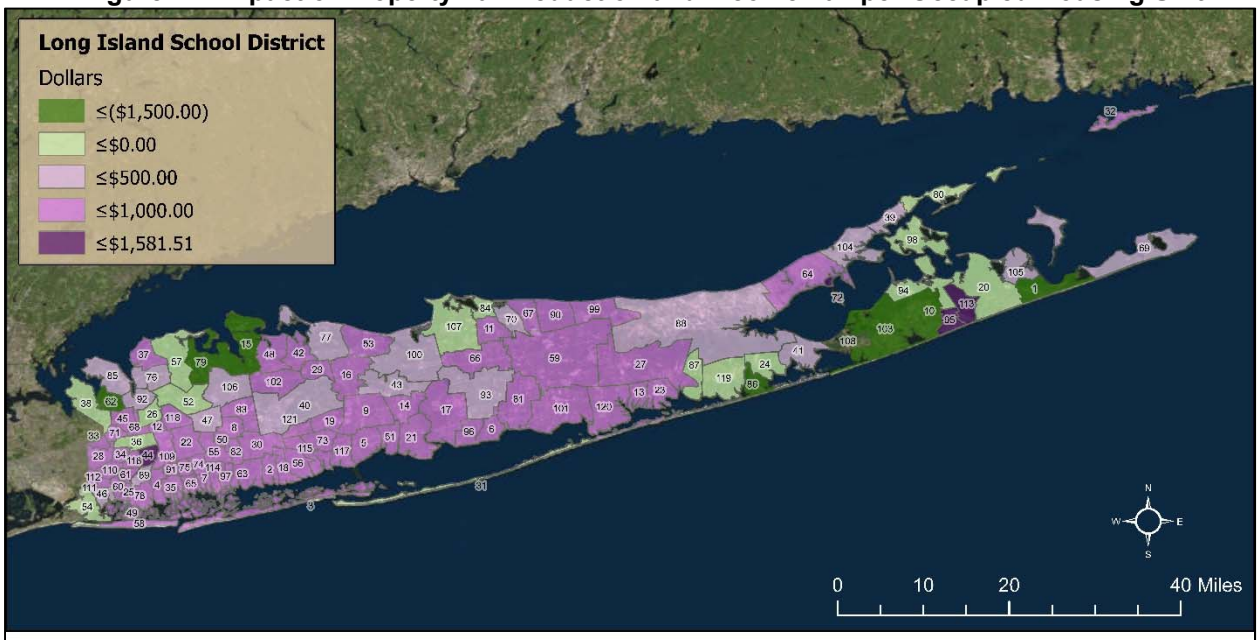
Notes:

1. Adjusted gross income (AGI) obtained from New York State Office of State Comptroller (2014) and household data obtained from 2011-2015 American Community Survey (ACS), U.S. Census Bureau.
2. One percent of AGI was divided by the total occupied housing units. The value indicates the amount that each household would pay in local income tax.
3. Labels on this figure are indexed to summary tables contained in the Appendix.

As the following figure demonstrates, imposing a 1.0 percent income tax in tandem with a 20 percent reduction in property taxes would benefit some taxpayers more than others. Specifically, the wealthier areas of both counties would experience a net tax increase, while other areas would see a net decrease. Further, the effects of the partial conversion to income as a source of revenue is likely to grow over time due to the fact that, since the implementation of the Real Property Tax cap, personal income on the Island has grown faster than Real Property Taxes.

As with the Real Property Tax, where there are higher and lower levels of burden across the Island, converting a portion of the tax burden to income also creates winners, where the increase in income tax is less than the savings in property tax, and losers, where the reverse is true. The following figure illustrates this.

Figure 24: Impact of Property Tax Reduction and Income Tax per Occupied Housing Unit



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Notes:
1. Real estate taxes and housing data obtained from 2011-2015 American Community Survey (ACS), U.S. Census Bureau and adjusted gross income (AGI) data were obtained from New York State Office of State Comptroller (2014).
2. Local income tax of one percent were subtracted from savings from 20 percent reduction in property taxes. Green values indicate net savings and purple indicates net loss per occupied household from this scenario.
3. Labels on this figure are indexed to summary tables contained in the Appendix.

While there are myriad of factors that would affect each individual taxpayer's experience, the following table estimates about 80 percent of school district taxpayers would have a positive net savings if a 20 percent reduction in property taxes and 1.0 percent local income tax was implemented.

Table 13: Estimated Impact of Imposing Income Tax and Property Tax Reduction[37]

Name	Estimated Savings Per Housing Unit-20% Property Tax Reduction	Estimated Expense Per Housing Unit- 1% Local Income Tax	Net Savings or Expense
Tuckahoe Common	$736	$4,422	-$3,686
Bridgehampton Union Free	$1,282	$4,964	-$3,682
Cold Spring Harbor Central	$3,757	$6,487	-$2,730
Southampton Union Free	$1,237	$3,607	-$2,370
Amagansett Union Free	$1,451	$3,605	-$2,154
Oyster Bay-East Norwich Central	$2,396	$4,462	-$2,066
Manhasset Union Free	$3,217	$5,203	-$1,986
Quogue Union Free	$1,422	$3,309	-$1,887
East Williston Union Free	$3,298	$4,700	-$1,402
Jericho Union Free	$3,202	$4,535	-$1,333
Locust Valley Central	$2,556	$3,777	-$1,220
East Hampton Union Free	$1,489	$2,409	-$920
Sag Harbor Union Free	$1,349	$2,009	-$661
Lawrence Union Free	$1,932	$2,471	-$539
Port Jefferson Union Free	$1,853	$2,333	-$480

[37] Data not available for New Suffolk Common, Sagaponack Common, and Wainscott Common School Districts

Name	Estimated Savings Per Housing Unit-20% Property Tax Reduction	Estimated Expense Per Housing Unit- 1% Local Income Tax	Net Savings or Expense
Shelter Island Union Free	$868	$1,331	-$463
Remsenburg-Speonk Union Free	$1,298	$1,719	-$420
Garden City Union Free	$2,928	$3,238	-$310
Fire Island Union Free	$1,451	$1,747	-$296
Great Neck Union Free	$2,434	$2,659	-$225
Westhampton Beach Union Free	$1,217	$1,408	-$191
Three Village Central	$2,224	$2,406	-$181
East Quogue Union Free	$1,236	$1,342	-$106
Oysterponds Union Free	$1,101	$1,180	-$79
Port Washington Union Free	$2,726	$2,661	$64
Montauk Union Free	$1,188	$1,113	$75
Half Hollow Hills Central	$2,413	$2,294	$119
Roslyn Union Free	$3,136	$2,990	$146
Syosset Central	$2,899	$2,614	$286
Greenport Union Free	$967	$673	$295
Springs Union Free	$1,290	$946	$343
North Shore Central	$2,478	$2,126	$352
Mount Sinai Union Free	$1,890	$1,521	$368
Hauppauge Union Free	$1,618	$1,235	$382
Hewlett-Woodmere Union Free	$2,638	$2,254	$384
Southold Union Free	$1,372	$980	$392
Riverhead Central	$1,131	$718	$413
Northport-East Northport Union Free	$1,806	$1,382	$425
Smithtown Central	$2,108	$1,674	$434
Hicksville Union Free	$1,414	$957	$456
Hampton Bays Union Free	$1,311	$845	$466
Sachem Central	$1,425	$954	$472
Rockville Centre Union Free	$2,451	$1,969	$482
Brentwood Union Free	$1,261	$735	$526
Rocky Point Union Free	$1,444	$900	$544
Mattituck-Cutchogue Union Free	$1,593	$1,021	$572
Merrick Union Free	$2,545	$1,961	$583
Valley Stream Union Free 30	$1,582	$993	$589
Massapequa Union Free	$2,069	$1,475	$594
Mineola Union Free	$1,572	$975	$598
Uniondale Union Free	$1,511	$893	$618
East Meadow Union Free	$1,697	$1,069	$628
Patchogue-Medford Union Free	$1,413	$784	$629
Wantagh Union Free	$2,132	$1,503	$629
West Hempstead Union Free	$1,831	$1,200	$631
Bethpage Union Free	$1,698	$1,066	$633
Island Trees Union Free	$1,600	$964	$636
Fishers Island Union Free	$2,168	$1,528	$639
New Hyde Park-Garden City Park Union Free	$1,801	$1,160	$641
William Floyd Union Free	$1,311	$669	$641
Herricks Union Free	$2,535	$1,892	$643
East Rockaway Union Free	$1,610	$966	$644
Huntington Union Free	$2,063	$1,410	$653
Longwood Central	$1,338	$682	$656
North Merrick Union Free	$2,051	$1,393	$658
Bellmore Union Free	$2,248	$1,578	$670
Middle Country Central	$1,518	$847	$671
Connetquot Central	$1,636	$964	$672
East Moriches Union Free	$1,917	$1,236	$681
Island Park Union Free	$1,490	$809	$682
Roosevelt Union Free	$1,361	$679	$682
Long Beach City	$1,688	$1,002	$686
Oceanside Union Free	$1,896	$1,207	$689
Miller Place Union Free	$1,958	$1,265	$692

Name	Estimated Savings Per Housing Unit-20% Property Tax Reduction	Estimated Expense Per Housing Unit- 1% Local Income Tax	Net Savings or Expense
Kings Park Central	$1,961	$1,253	$708
Harborfields Central	$2,294	$1,584	$709
Floral Park-Bellerose Union Free	$1,957	$1,233	$725
Valley Stream Union Free 13	$1,817	$1,089	$728
North Babylon Union Free	$1,654	$917	$738
Westbury Union Free	$1,795	$1,055	$741
Wyandanch Union Free	$1,340	$597	$744
Eastport-South Manor Central	$1,716	$971	$745
Deer Park Union Free	$1,582	$835	$747
North Bellmore Union Free	$1,953	$1,203	$750
Carle Place Union Free	$1,918	$1,168	$751
Franklin Square Union Free	$1,747	$996	$751
Elmont Union Free	$1,647	$896	$751
South Huntington Union Free	$1,827	$1,068	$759
Plainview-Old Bethpage Central	$2,340	$1,575	$764
Brookhaven-Comsewogue Union Free	$1,570	$805	$764
Levittown Union Free	$1,821	$1,056	$766
Central Islip Union Free	$1,474	$701	$773
Farmingdale Union Free	$1,789	$1,007	$783
Valley Stream Union Free 24	$1,714	$921	$793
Center Moriches Union Free	$1,831	$1,028	$803
Shoreham-Wading River Central	$1,948	$1,145	$803
Seaford Union Free	$1,986	$1,181	$805
South Country Central	$1,567	$756	$811
Islip Union Free	$1,926	$1,113	$812
Commack Union Free	$2,251	$1,432	$818
Babylon Union Free	$2,110	$1,291	$819
Sayville Union Free	$1,993	$1,167	$827
Amityville Union Free	$1,563	$737	$827
East Islip Union Free	$2,029	$1,199	$830
Baldwin Union Free	$1,882	$1,049	$833
Copiague Union Free	$1,558	$725	$833
Plainedge Union Free	$2,036	$1,198	$839
Elwood Union Free	$2,192	$1,346	$845
West Islip Union Free	$2,152	$1,282	$870
Lindenhurst Union Free	$1,709	$827	$882
Bay Shore Union Free	$1,863	$919	$944
Freeport Union Free	$1,666	$707	$960
Glen Cove City	$1,973	$1,006	$967
West Babylon Union Free	$1,822	$848	$974
Bayport-Blue Point Union Free	$2,165	$1,175	$990
Lynbrook Union Free	$2,210	$1,217	$993
Malverne Union Free	$1,996	$1,002	$994
Hempstead Union Free	$1,912	$535	$1,377

Taxing State Liability

Long Island residents' total state income tax liability in 2014 was $6.7 billion, and it has been growing at approximately 3.5 percent per year in recent years.[38] If the region imposed an earnings tax at 16.75 percent of state tax liability (in alignment with the City of Yonkers), the measure would generate approximately $1.3 billion per year, growing to $2.3 billion annually by 2035. However, to reduce residential property taxes by 20 percent, it would require a rate of nearly 30 percent of state tax liability – an unreasonable proposition.

[38] NYS Department of Taxation and Finance, 2014 Total Income and Tax Liability by Place of Residence – taxable returns only

Table 14: Estimated Impact of Imposing Income Tax on State Tax Liability

Proposed Rate	Resulting Property Tax Reduction (2018)	Additional Revenue Generated ($ millions)					Resulting Property Tax Reduction (2035)
		2018	2020	2025	2030	2035	
16.75%	11.3%	1,284.3	1,376.5	1,636.9	1,946.5	2,314.7	15.6%
29.65%	20.0%	2,273.4	2,436.6	2,897.5	3,445.6	4,097.4	25.0%

Implementing either of these alternatives would be administratively complex. It would require the design and implementation of a distribution system to administer the flow of funds from State collection to making payments to localities and/or school districts. The process will also have to include a smoothing mechanism to accommodate the year-to-year variation in revenue.

Both of these alternatives raise a significant amount of revenue from a different tax source than the existing system. As a result, as previously noted, there will be winners and losers in both instances – and they will differ somewhat depending on the chosen method of calculation (although it is likely that in a broad sense, the winners and losers will be similar for both methods).

At its most basic level, there is a school of thought that taxing income is less preferable to taxing consumption, as there are greater opportunities for taxing income to impact on individual's economic choices (what is sometimes described as the trade-off between leisure and labor).[39] At the same time, the governments within the State of New York already tax income and consumption in a variety of ways, so determining the optimal method of taxation, at least in incremental changes, is something of a moot point.

As it relates to the choice of taxing adjusted gross income or taxable income, New York State subtracts from federal AGI several sources of income, including the entirety of federal, state and local government pensions and taxable social security benefits as well as a share of private pension and annuity income. There are other specific deductions (interest on U.S. government bonds and the state's 529 college savings program, for example) as well, including the standard or itemized deductions. In general, those with large amounts of pension or other retirement income or itemized deductions will fare better using New York State taxable income as the starting point.

One concern with the use of the surcharge will be the sheer size of the surcharge: given that Yonkers is the only local government that uses this method, and the surcharge for Long Island would have to be more than twice that amount, it is likely that discussions of the tax features on Long Island (compared to other locations) would prominently mention this tax "outlier." It is an open question whether comparisons of tax structures for local governments or regions would give Long Island a similar amount of credit for reducing its property taxes.

[39] For a discussion of this subject area and a widely-cited study suggesting a preference for consumption taxes versus income taxes see "Are Income and Consumption Taxes Ever Really Equivalent?: Evidence from a Real-Effort Experiment with Real Goods," Tomer Blumkin, Bradley Ruffle and Yosef Ganun, 2008.

Strengths, Weaknesses, Opportunities and Threats

Strengths	Weaknesses
- Income taxes are commonly levied and understood by taxpayers - As constructed as a percentage of gross income or a surcharge on New York State taxable income, this is a readily understandable tax that requires no specialized knowledge of taxes for compliance purposes - The tax will grow as AGI or taxable income grows	- There is a school of thought that income taxes are more likely to negatively impact economic decisions than consumption taxes, which may include location decisions - Income-based taxes are more volatile than consumption-based taxes and may be subject to swings based on the economy
Opportunities	**Threats**
- Should lower property taxes incentivize higher income individuals to locate in the area, income-based taxes will increase - Should lower property taxes help retain or attract lower income workers, businesses would more easily recruit	- New federal treatment of the deductibility of state income taxes will create additional winners and losers, and State (and federal responses) are difficult to predict

Alternative #3: Income-based Property Tax Relief through a Circuit-breaker

The basic concept around property tax relief through a circuit-breaker is to use the new revenue raised (through a Long Island sales tax, income tax or combination of the two) to ensure that property taxes for New York resident property taxpayers do not exceed a certain percentage of their income. The next few paragraphs explain how property tax circuit-breakers generally work in practice, and the section concludes with an example of how a circuit breaker program could be constructed for Long Island.

Each of the prior examples relied on a new revenue source to replace existing property taxes. These structures would replace property taxes on a pro-rata basis. In this way, all residential property taxpayers would benefit, but the largest dollar value benefit would go to those who currently pay the largest residential property tax bills. While this can readily be argued as a fair method of allocating the benefit, it can also be argued that those who bear the biggest burden of property taxes – in terms of the share of their income that must be dedicated to pay the tax – are not those with the largest property tax bills.

As already noted, a common principle of taxation relates to attaining horizontal equity – where the amount of tax paid by taxpayers with different income levels should reflect their respective abilities to pay the tax. Most property tax incidence studies suggest that lower income individuals pay a higher percentage of their income as property taxes than those at the higher income levels. This can be particularly worrisome for residential taxpayers with certain characteristics – such as first-time homebuyers or those who are on fixed incomes (such as retirees).

A common approach for mitigating some of these concerns is the use of a property tax “circuit breaker”. Like an electrical circuit breaker, which protects a circuit from experiencing more power than it can handle, property tax circuit breaker programs provide a reduction in the overall property tax bill that is targeted at preventing property taxes from going above a certain percentage of the taxpayer’s annual income. In effect, these (nearly

always) state-administered programs "shut off" property taxes once they exceed a certain share of a family's income. Traditionally, the process used for circuit breakers is as follows:[40]

- The state establishes a maximum percentage of income that a qualifying household is expected to pay in property taxes. In some states, this will be a graduated percentage based on income – with lower income individuals expected to pay a lower share of their overall income as property taxes (this helps to offset the general regressivity of tax structures).
- If the household's property tax bill exceeds the limit, the state rebates[41] either all or a portion of the tax payments made above the limit.

In 2016, 15 states and Washington, D.C. offered property tax circuit breaker programs using a formula to target reductions for taxpayers who owe significant property taxes relative to their incomes. Another 15 states provided property tax credits to some low-income taxpayers based solely on income and do not require property taxes to exceed a set percentage of income to qualify; in these states, taxpayers may not be fully protected from a tax "overload."[42] Many states also target circuit breaker programs for specific types of individuals or households beyond simple income – most commonly households headed by those over age 65 or those classified as disabled.

The classic example of a circuit breaker is one where a threshold is established based on a percentage of taxpayer income that property taxes represent. Crossing the threshold causes the application of the circuit breaker. This can be one threshold or, more commonly, a progressive set of multiple levels. Multiple levels generally have the percentage of income paid as property tax increase as income increases (to deal with the regressive nature of the tax). For example, the State of Maryland circuit breaker uses four threshold percentages: zero for the first $8,000 of income; 4 percent for the next $4,000; 6.5 percent for the next $4,000 and 9 percent for amounts over $16,000. As with many personal income tax structures, the tax rates are marginal – all eligible, regardless of income, benefit from the lower threshold percentages for income earned up to $16,000.[43] Once the circuit breaker takes effect, the State reimburses the property taxpayer for the difference between the actual payment and what would be the threshold level payment. This type of structure provides some property tax 'relief' for all residential property taxpayers but targets the majority of the benefit to those who are most burdened by the tax.

Circuit breakers can be very powerful limits on the overall property tax burden, as they prevent property taxes in a given year from passing a set income threshold (which is generally a percentage of income). Some circuit breaker programs have other requirements as well (often related to the age of property taxpayers).

Most of the disadvantages of circuit breakers relate to plan design. Some are overly restrictive and do not provide sufficient tax relief for the targeted population. In other states, the level of funding dedicated to the program does not cover all eligible for relief. Other programs do not adjust available levels of relief as income ceilings and/or brackets become eroded over time by inflation (indexing).[44] A common drawback to plans using income tax credits/rebates is cash flow timing, where the tax payer is required to pay the full amount of the tax bill when due but isn't reimbursed until a later date. For example, in New York state, the bulk of school property

[40] Center on Budget and Policy Priorities, *"The Property Tax Circuit Breaker: An Introduction and Survey of Current Programs"* (2007). Accessed electronically at: http://www.cbpp.org/sites/default/files/atoms/files/3-21-07sfp.pdf
[41] Taxpayers who participate in circuit breaker programs are still required to pay their entire property tax bills up front and the difference is refunded after the fact.
[42] Institute on Taxation and Economic Policy, *"Property Tax Circuit Breakers"* (2016). Accessed electronically at: http://itep.org/itep_reports/pdf/circuitbreakerpb2016.pdf
[43] Lincoln Institute of Land Policy, "*Property Tax Circuit Breakers: Fair and Cost Effective Relief for Taxpayers."* (2009), p. 16. Accessed electronically at https://www.lincolninst.edu/sites/default/files/pubfiles/property-tax-circuit-breakers-full_0.pdf
[44] Lincoln Land Institute (2009), p. 28.

taxes are due at the beginning of the school year in late summer/early fall. However, the compensation for the amount of tax over the circuit breaker limit is not received until the taxpayer files their income tax return in the spring. A final disadvantage relates to its possible impact on state and local finances – in cases where the circuit breaker is applied generally (rather than specifically), there is less pressure by individual property taxpayers to restrain growth in taxes (and thus growth in spending). In this case, it acts as something of a 'blank check' for local budget growth. The current situation in the State of New York, with the property tax cap, is certainly an amplification of this concern. However, it should be noted that a large percentage of taxpayers would see little or no change in their property taxes with a circuit breaker in place, and it is likely that these taxpayers would continue to provide political pressure to maintain caps and other checks on local government budget growth.

Long Island Circuit-breaker Approach

Using data from the IRS, the project team identified the total number of Federal returns from Long Island residents in 2014. The team also determined the number of returns that used itemized deductions, and of those, the amount of real estate taxes deducted. The percentage of itemized returns increases with income as shown in the following table.

Table 15: Federal Return Data, 2014

Size of adjusted gross income by county [Money amounts are in thousands of dollars]	Number of returns	Adjusted gross income	Real estate taxes		
			Number of returns	Amount	% of total returns
Nassau County	708,170	75,821,183	299,860	3,713,774	
Under $1	11,560	-2,942,388	0	0	-
$1 under $10,000	103,230	504,770	4,460	40,065	***4.3%***
$10,000 under $25,000	111,970	1,892,921	12,370	108,932	***11.0%***
$25,000 under $50,000	123,710	4,537,615	28,410	262,808	***23.0%***
$50,000 under $75,000	88,240	5,452,555	37,820	357,057	***42.9%***
$75,000 under $100,000	66,550	5,786,881	41,270	412,093	***62.0%***
$100,000 under $200,000	133,790	18,678,306	111,060	1,262,687	***83.0%***
$200,000 or more	69,120	41,910,523	64,470	1,270,132	***93.3%***
Suffolk County	773,080	63,645,477	309,850	3,127,213	
Under $1	9,710	-1,104,202	0	0	-
$1 under $10,000	111,810	560,298	4,430	35,296	***4.0%***
$10,000 under $25,000	140,480	2,392,976	14,060	106,903	***10.0%***
$25,000 under $50,000	152,070	5,543,508	34,380	276,174	***22.6%***
$50,000 under $75,000	99,420	6,128,176	45,480	373,179	***45.7%***
$75,000 under $100,000	73,450	6,389,369	48,230	421,580	***65.7%***
$100,000 under $200,000	136,370	18,796,413	116,270	1,171,512	***85.3%***
$200,000 or more	49,770	24,938,939	47,000	742,569	***94.4%***
Long Island	1,481,250	139,466,660	609,710	6,840,987	
Under $1	21,270	-4,046,590	0	0	-
$1 under $10,000	215,040	1,065,068	8,890	75,361	***4.1%***

Size of adjusted gross income by county [Money amounts are in thousands of dollars]	Number of returns	Adjusted gross income	Real estate taxes		
			Number of returns	Amount	% of total returns
$10,000 under $25,000	252,450	4,285,897	26,430	215,835	***10.5%***
$25,000 under $50,000	275,780	10,081,123	62,790	538,982	***22.8%***
$50,000 under $75,000	187,660	11,580,731	83,300	730,236	***44.4%***
$75,000 under $100,000	140,000	12,176,250	89,500	833,673	***63.9%***
$100,000 under $200,000	270,160	37,474,719	227,330	2,434,199	***84.1%***
$200,000 or more	118,890	66,849,462	111,470	2,012,701	***93.8%***

Source: IRS data, 2014

Using data organized by Adjusted Gross Income (AGI) cohorts, the project team isolated the number of returns that claimed an itemized deduction for real estate taxes and, using pro-ration, computed the average amount of property tax deducted as a percentage of income. The team then constructed a prototype progressive circuit-breaker threshold and computed the reduction required to reduce the amounts deducted to the threshold limit. The results are shown in the following figures.

Figure 25: Real Estate Taxes as % of AGI vs. Progressive Circuit Breaker Threshold

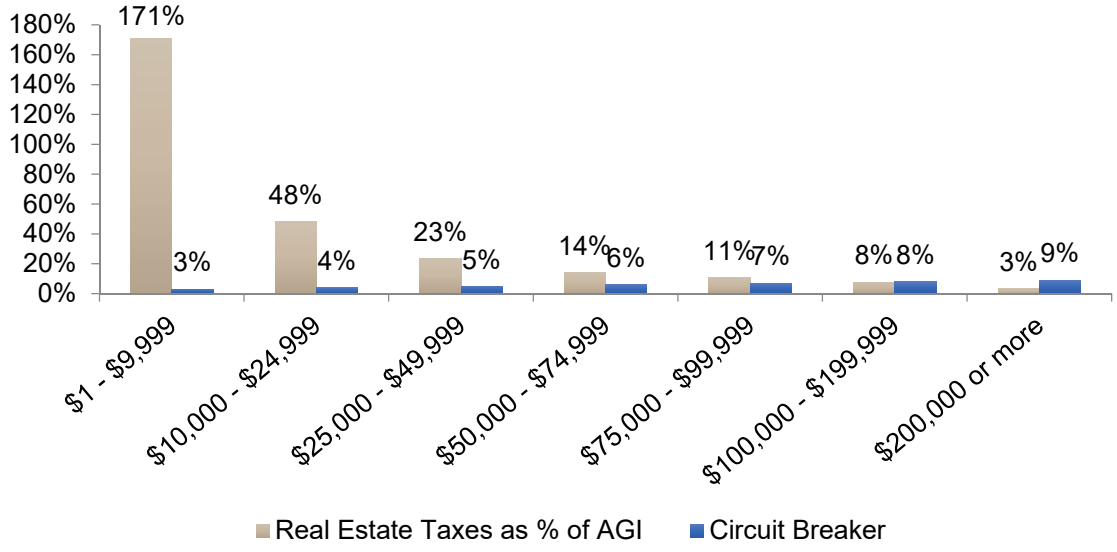
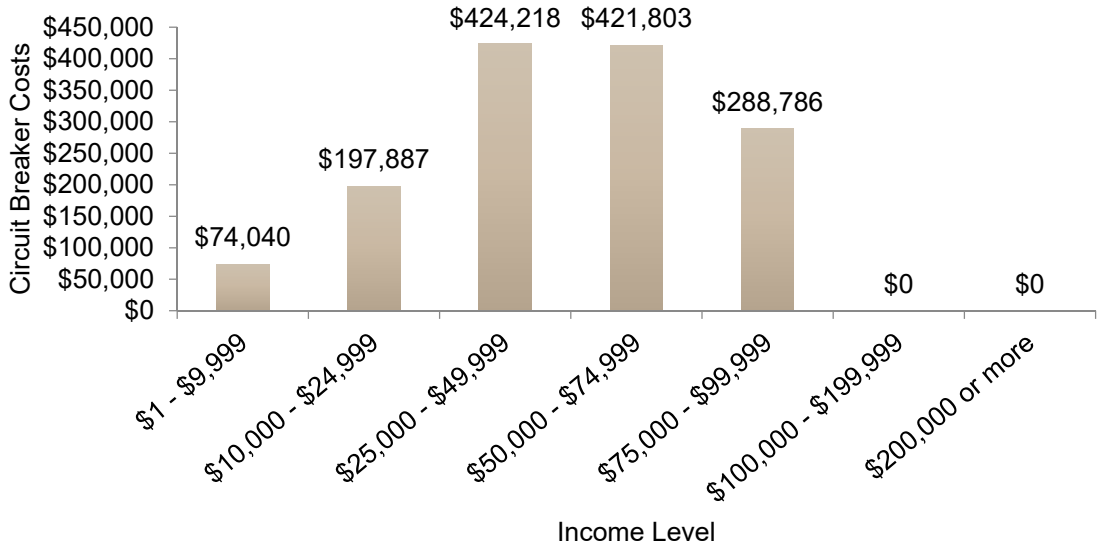


Figure 26: Change in Real Estate Taxes to Achieve Circuit Breaker Thresholds ($ thousands)



As the preceding figures show, the circuit breaker design for this illustration was a typical “bell curve” intended to be middle-class heavy. The total amount of tax liability reduction resulting from applying the circuit-breaker is $1.4 billion. In order to fund this amount, an income tax surcharge of 1.0 percent on income or 18.3 percent of liability would be required. A detailed description of the circuit breaker calculation methodology is found in Appendix E.

If, alternatively, a new revenue mix of $500 million is assumed, the threshold at which the circuit breaker would be triggered would increase at every income level. As the following figures show, the circuit breaker design for this illustration was targeted to low-to-moderate income earners, providing the benefit solely to those making less than $50,000 annually. The total amount of tax liability reduction resulting from applying the circuit breaker is $500 million, equal to the amount of the new revenue to be generated.

Figure 27: Real Estate Taxes as % of AGI vs. Progressive Circuit Breaker Threshold

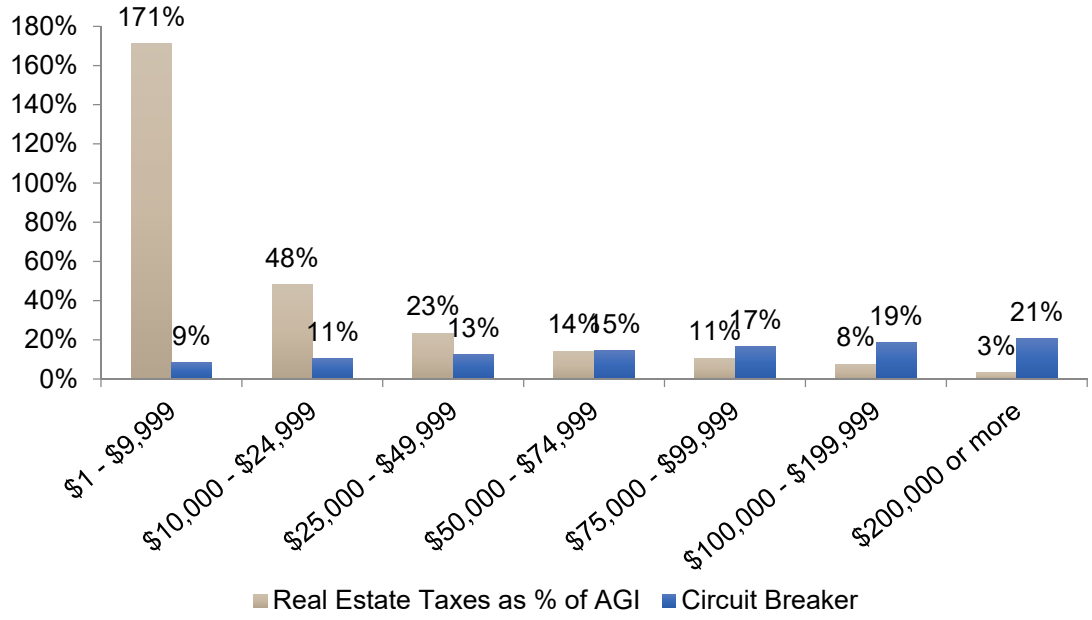
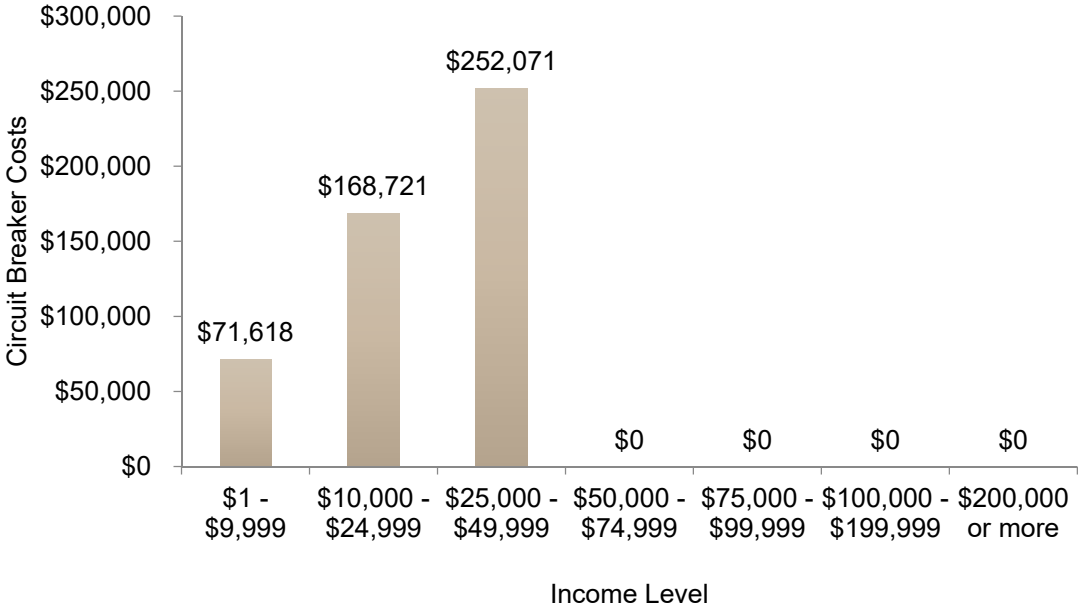


Figure 28: $ Change in Real Estate Taxes to Achieve Circuit Breaker – COST



Alternative #4: Augment Major Rate Increases with Additional Revenue Measures

While a rate increase in a major tax is likely to be the centerpiece of a significant replacement of the property tax, there are additional alternatives that can be considered to either allow additional property tax relief or to limit the size of the income or sales tax increase. In general, there are four methods for raising additional tax revenue:

1. Create a new tax
2. Expand the base of an existing tax
3. Increase the rate of an existing tax
4. Increase taxpayer compliance of an existing tax

It is notable that, with the possible exception of the last method, each of these would require State action. A complicating factor for the region is that the many local governments on Long Island might make the collection of certain types of additional taxes problematic. The following analyzes each of these broad revenue categories.

Create a New Tax

There are literally hundreds of types of taxes that are imposed by at least some local governments in the U.S. In general, however, they are not large revenue sources and benefit from their being in place for a long time. For example, the State of Kentucky is somewhat unique in allowing its local governments to tax insurance premiums. Insurance premium taxes (a form of gross receipts tax on the value of insurance policies written in the taxing jurisdiction) are common at the state level – 49 of the 50 states have them, generally as a replacement for the corporate income tax for that industry. However, they are very rare at the local level.

A commonly cited rule of thumb is that 'an old tax is a good tax.' All taxes have negative impacts and will in some way decrease economic activity. Taxes that have been in place for a long time are generally understood in the marketplace, and their impacts have been 'baked into' the cost of goods and services. New taxes carry the risk of unintended or less understood consequences for consumers, commerce and governments.

There are some relatively new taxes that are gaining some prominence around the country. The following highlight a few that could be considered:

Tax on Sugared Beverages

Perhaps the most interesting 'new'[45] tax is one that is now in place in a number of major local governments, including the City/County of Philadelphia, Pennsylvania; San Francisco and Oakland, California; Boulder, Colorado; and Seattle, Washington. This tax is usually applied on sugar-sweetened beverages and is meant to both improve health and raise revenue. The tax is usually applied per ounce of product and ranges from one to two cents per ounce.

Sugar-sweetened beverages (SSB) are the largest contributor to added sugar in the U.S. diet. While added sugar is often primarily associated with obesity, other negative effects are also associated with

[45] Some form of sugar tax on beverages or other items have been tried in the past, including the federal government as a way to help fund World War I and several states. They were generally rescinded because of industry and consumer pressure. However, some examples of the tax still exist, for example the State of Arkansas has this type of tax still in place. For examples of some of the difficulties with implementing and enforcing this type of excise tax, see "Overreaching on Obesity: Governments Consider New Taxes on Soda and Candy," Tax Foundation, October 2011, No. 196. Accessed electronically at https://files.taxfoundation.org/legacy/docs/sr196.pdf

type 2 diabetes, cardiovascular disease, dental issues and osteoporosis.[46] SSBs accounted for approximately 6.5 percent of total daily calories among adults and 7.3 percent among those ages 2 to 19 years of age. It approaches 8 to 9 percent of daily calories among minority populations and 9 to 10 percent among low-income households.[47]

Strong arguments can be made in favor of the tax. While there is still debate about its health effects, recent studies suggest that the tax has reduced consumption of sugary beverages in jurisdictions that have imposed the tax. For example, a study done in Berkeley, California where a one cent per ounce tax is in place found that after one year sales of sugary drinks fell almost 10 percent, while sales of water and other unsweetened beverages rose over the same period.[48] Recent research conducted around the tax in Philadelphia suggests that the majority of the tax is being passed along to consumers, which is a necessary condition if the tax is expected to reduce consumption of SSBs and/or spur substitution of more healthy beverages.[49]

There have been years of research associated with state-imposed taxes to reduce consumption of SSBs. One national study of the impacts of these taxes suggests that these taxes influence body mass index.[50] While the impact of the reduction is small in magnitude, this is only one of the possible long-term positive health outcomes. For example, another study found that a penny-per-ounce tax on SSBs would cut health and cost burdens of diabetes.[51] The theory behind taxing products with unhealthy outcomes is generally accepted (and applied, for example, to cigarette and other tobacco products, recreational marijuana where legal and alcohol). While the prior discussion focused on using the resulting higher prices to reduce consumption, this type of excise tax can also offset or reduce negative impacts of production or consumption of goods. These taxes are often referred to as "Pigouvian" taxes, named after the British economist Arthur Pigou, who first raised the issue of taxing activities that had negative external effects that were not captured in market prices.

At the same time, there has been strong resistance from the soda industry, and there is at least local evidence in some places of job losses associated with the changes in economic activity.[52] Even in this area, there is counter-evidence that suggests that the job losses are mitigated by increases in jobs in other parts of the local economy.[53]

The resistance to the tax on SSB has also been criticized on the grounds of the revenue raised. In some ways, this is an expected outcome from the tax itself. As previously noted, part of the rationale for the tax is to reduce consumption of the SSBs – if the tax would be entirely effective in completely eliminating the consumption of the taxed products, no revenue would be raised. This also helps explain why governments often dedicate the revenue to health-related programs – the argument is

[46] Lisa M. Powell and Mathew L. Maclejewski, "Taxes and Sugar-Sweetened Beverages," Journal of the American Medical Association, January 16, 2018, Volume 319, Number 3, p.229.
[47] Ibid.
[48] "Larry D. Silver, Shu Wen Ng et al, "Changes in prices, consumer spending, and beverage consumption one year after a tax on sugar-sweetened beverages in Berkeley, California: a before-and-after study," April 18, 2017.
[49] John Cawley, Barton Willage and David Frisvold, "Pass-Through of a Tax on Sugar-Sweetened Beverages at the Philadelphia International Airport," Research Letter, Journal of the American Medical Association, January 16, 2018, Volume 319, Number 3, p.305.
[50] Jason M. Fletcher, David Fisvold and Nathan Tefft, "Can Soft Drink Taxes Reduce Population Weight?" Contemporary Economic Policy, January 2010.
[51] Y.Claire Wanbg, Pamela Coxson, Yu-Ming Shen, Lee Goldman and Kirsten Bibbins-Domingo, "A Penny-Per-Ounce on Sugar-Sweetened Beverages Would Cut Health and Cost Burdens of Diabetes," Health Affairs, January 2012, p. 199.
[52] " Pepsi to lay off 80 to 100, blames soda tax," March 1, 2017, accessed electronically at http://www.philly.com/philly/news/politics/Pepsi-announces-80-100-layoffs-blames-soda-tax.html
[53]Lisa M. Powell and Mathew L. Maclejewski, "Taxes and Sugar-Sweetened Beverages," Journal of the American Medical Association, January 16, 2018, Volume 319, Number 3, p.229.

that as consumption goes down and tax revenues decline, there will be less need for the health programs targeted at the ill effects from the SSB consumption.

Of course, it is also possible to reduce the revenue from the tax and not obtain the desired reduction in consumption. This substitution, often referred to as a 'border effect' occurs when consumers make their purchases in other cities, counties or states that do not impose the tax on SSBs. It is generally accepted that this border effect will occur to some extent, and a variety of factors will influence how much of this substitution will occur (and, thus, how much less revenue will be collected from levels of consumption that occurred prior to the imposition of the tax. The factors that determine the extent of the border effect include the ease of access to locations without the tax and the size of the price differential.

Of late, Philadelphia is offered up as an example of a SSB tax that has not met revenue expectations. In the first (partial) fiscal year of its city soda tax, FY2017, the tax collections were 15 percent lower than expected and totaled $33.5 million. For FY2018, revenues are estimated at $92.4 million. However, through February 2018 (eight months), collections totaled $52.1 million. Were collections to track the first eight months of the fiscal year, the total FY2018 collections would be $78.1 million.

In determining possible revenue for Long Island from a tax on SSB, there are some differences between the performance in Philadelphia, San Francisco or Seattle. For one thing, the geographic area of Long Island is larger, which makes it more difficult to readily leave the taxing jurisdiction. Second, the access off the Island is limited, which also reduces opportunity for cross border competition. Finally, SSB taxes are getting continued attention around the country – including possible adoption in Montgomery County, Maryland and other locations. While it is true that some jurisdictions have repealed their tax (such as Cook County, Illinois), it is at least as likely that other jurisdictions in New York will be adding similar taxes.

As it relates to possible revenue, the University of Connecticut's Rudd Center for Food Policy and Obesity has developed a revenue calculator for sugary drink taxes. According to their calculator, the State of New York could raise $830.9 million per penny per ounce of SSB. One method for scaling this to Long Island would be to use the share of state GDP generated by Long Island. According to figures from the Bureau of Economic Analysis and SUNY-New York, Long Island's 2016 share of nominal GDP was 14.58 percent. If that is applied to the estimated revenue figures, it would yield revenue for Long Island of $121.1 million for 2018. Even if this amount were discounted by 10 percent to take into consideration border competition, it would still yield estimated revenue of $109 million per penny per ounce in tax revenue.

An alternate way to estimate possible revenue would be to use Philadelphia's collections in relationship to the population on Long Island. There are, of course, demographic differences between the populations – Philadelphia has significantly lower median household income and a higher poverty rate than Long Island, although its impact on sales of sugared beverages is unclear. Using Philadelphia's recent revenue collections and taking into consideration the difference in population, the Long Island region would yield an estimated $142 million annually from a one cent per ounce tax on sugared beverages.[54]

[54] Nassau and Suffolk Counties have an estimated 2017 population of 2.86 million; the City and County of Philadelphia's estimated 2017 population is 1.58 million.

Taxes on Vape and E-Cigarettes

Since January 1, 2015, 22 states and the District of Columbia have introduced bills to assess an excise tax on vaping hardware, e-cigarettes, and e-Liquid. To date, seven states impose an excise tax on vapor products including California (27.3 percent at wholesale), North Carolina (5 cents per mL), Louisiana (5 cents per mL), Kansas (20 cents per mL), West Virginia (7.5 cents per mL), Pennsylvania (40 percent at wholesale), and Minnesota (95 percent at wholesale). In his FY2018 budget, New York Governor Andrew Cuomo proposed a 10-cent per mL tax on the liquid contained in electronic cigarettes and vapor products. The tax would be imposed on the wholesale level and would apply both to e-liquid that contains nicotine and e-liquid that does not. According to state revenue estimates, the tax would generate $3 million annually.

While the measure was not adopted, it is indicative of the fact that, at this point in time, these taxes are not large revenue raisers. Even Minnesota, which has the highest tax rate, does not expect to collect more than $5 million in revenue from this source.

Using the State's revenue estimates and Long Island's 2016 share of nominal GDP (14.58 percent), imposing a vape tax at 10-20 cents per mL would generate an estimated $435,000-$875,000 for the region. [55]

Medical and/or Recreational Marijuana

Since 1996, 28 states and the District of Columbia have legalized the use of marijuana for medical purposes. The systems and methods of taxation vary from state to state—including who and how individuals may have legal access to it and how it is taxed. Access issues are important for determining likely tax revenues, as the base of users will (along with the tax rate) determine the likely revenue that will be generated.

In 2014, the State of New York legalized the use of marijuana for medical purposes. The State excise tax rate is 7 percent, which is allocated to the medical marijuana trust fund. It is then distributed in part to the counties in which the medical marijuana was manufactured and dispensed; the State Office of Alcoholism and Substance Abuse Services for additional drug abuse prevention, counseling, and treatment services; and to the Division of Criminal Justice Services for the support of related law enforcement measures. For New York, the original revenue estimate was $4 million a year, but the actual collections were $500,000 statewide. The estimate has now been adjusted to $1 million per year in the following fiscal years. This, based on its share of state consumption, would total less than $200,000 a year for Long Island.

The larger market – and possible tax revenue - for either the State or local governments would come from legalizing marijuana for recreational use. Since Colorado became the first state to legalize marijuana for recreational use, several states have followed its lead, and the number continues to grow. Most of the legalized states have done so through voter referendum or initiative, but the most recent state to legalize it for recreational use did it through the legislative process.

To date, nine states plus the District of Columbia have legalized recreational use of marijuana. Those states are Alaska, California, Colorado, Maine, Massachusetts, Nevada, Oregon, Vermont and Washington. Vermont is the latest state to legalize recreational marijuana, with the legislature

[55] Cook County, IL imposes a vape tax at a rate of 20 cents per mL; the City of Chicago collects 80 cents per product unit plus an additional 55 cents per mL

approving a bill and Governor Scott signing it into law on January 22, 2018. There are a number of states where the issue is under consideration. In New Jersey, for example, newly elected Governor Phil Murphy campaigned on legalization of marijuana for recreational use, and Democratic State Senator Nicholas Scutari introduced a measure allowing the recreational use of marijuana by those 21 and older on January 23, 2018. During his campaign for Governor, Murphy said legalization could bring in roughly $300 million in new revenue. New Jersey already has a medical marijuana program.

The structures that states have developed to tax marijuana vary, but most have settled on taxing final retail sales as the most workable form of taxation. Other forms of taxation that have been proposed, such as taxing marijuana flowers at a certain dollar amount, taxing at the processor or producer level rather than the retail level, or taxing products by their level of THC, have proven hard to enforce or implement.

The tax revenue associated with marijuana sales is significant and likely to grow over time. One study suggested that, nationwide, the amount (when applying early adopting state tax rates to the nation as a whole) could result in billions of dollars of new state tax revenue.

One recent estimate, when applying the existing Colorado and Washington demand rates to New York could result in tax revenue of between $327 and $544 million a year (if marijuana were taxed at retail percentage rates between 15 and 25 percent). Were a local tax to be imposed, the expectation would be that, based on Long Island consumer activity for the State as a whole, each 1 percent tax would total approximately $3.5 million per year. At a rate of between 15 and 25 percent, that would generate approximately $52 to $87 million a year.

Of course, even in the event that this proves to be a viable revenue source in the long run, there is little expectation that it could be an option in the next few years.

It is also notable that the Trump Administration has signaled the end of a policy from the Obama Administration of not enforcing federal drug laws that have legalized marijuana – the federal government considers marijuana to be an illegal, Schedule I substance. Exactly how that will impact on current and future state legalization efforts is still unknown, but it is notable that the actions in both New Jersey and Vermont have continued even in the face of this change in U.S. Department of Justice policy.

Local Sales Tax on Motor Fuel

Under current law, the sales tax on motor fuels (both gasoline and diesel fuel) is only charged on the first $2.00 of each gallon of fuel. Given current fuel prices, repealing this provision would result in additional revenue. There are two components to this issue: State and local sales tax impact. The likelihood is that the result would be somewhere between $25 and $60 million, barring any major variance in fuel prices.

For the local sales tax, the $2.00 per gallon cap on the sales tax is optional. Both Nassau and Suffolk counties have opted out of the provision and charge sales tax on the full amount. Accordingly, there is no local revenue loss to be recovered by repeal.

On the State side, the cap is in place. According to the 2018 NYS Tax Expenditure Report, in SFY 2015-16 the State lost about $105 million in foregone sales tax on taxable Automotive Fuel sales in excess of $2 per gallon. The volatility of this loss is primarily driven by retail gasoline and diesel prices,

with a minor impact from changes in consumption (which is fairly stable between 6.0 and 6.5 million gallons per year). In 2012, when fuel prices were much higher, the sales tax loss was $396 million.

To estimate the potential gain for Long Island, the project team took the motor fuel sales data provided by the NYS Department of Taxation and Finance and price per gallon .data for Long Island from the US Department of Energy, Energy Information Administration. Working with that information, the project team isolated the portion of the price per gallon that was not charged sales tax.

There are data constraints that that should be considered related to the revenue estimate. The project team used sales data for the quarter: December, 2016 to February, 2017 and price data for February, 2017. That data was adjusted to get an annual figure. This is a rough method to project yearly sales, as it does not take into account issues of seasonality, but the project team was not able to obtain price per gallon data that matches up with the Tax Department's sales data.

With this caveat, the estimated possible additional revenue is approximately $42 million a year. Assuming no major fluctuations in fuel prices, it is likely that the impact would be between $25 and $60 million annually. This analysis assumes that removing the state cap would have the state rebating the gain back to Long Island.

Surcharge on the State Motor Fuel Tax

A regional surcharge could be applied on the state Motor Fuel Tax. This surcharge would translate into an increase on gasoline and on-road diesel fuel. This action would require state legislation, which could face resistance since the state considers this an exclusively state-level revenue source. Since this tax is imposed on the bulk product, a methodology would have to be devised to allocate the revenues – possibly based on overall miles-driven data. Lastly, there may be technical impediments to collection since the tax is not collected at the pump, but rather further up the supply chain where it may be difficult to identify product bound exclusively for Long Island.

Surcharge or Separate Fee on Motor Vehicle Registrations for Alternative Fuel Vehicles

Since motor vehicles that run, in whole or in part, on alternative fuels (such as electricity, E85, compressed natural gas (CNG), hydrogen and B20) reduce local tax receipts on gasoline, a compensating surcharge could be imposed on New York State Motor Vehicle Registrations. The most efficient way to calculate the surcharge would likely be on a simple flat fee schedule. Revenue could be allocated based on the registration address. This action would require state legislation, which could face resistance since the state considers DMV fees an exclusively state-level revenue source.

Imposition of Tolls on the Long Island Expressway (LIE) or Other Roads or Bridges

The state could erect barrier-free tolling equipment and impose tolls on the LIE or other high-volume highways where revenues would support the cost of collection. The net toll revenue could be dedicated, in whole or in part, to Long Island. A methodology would have to be devised to allocate the revenues. This action would require state legislation, which could face resistance since the state considers tolls on state highways an exclusively state-level revenue source. Since the LIE in particular is part of the Federal Interstate Highway system, additional approvals could be required from USDOT.

Other Excise Taxes

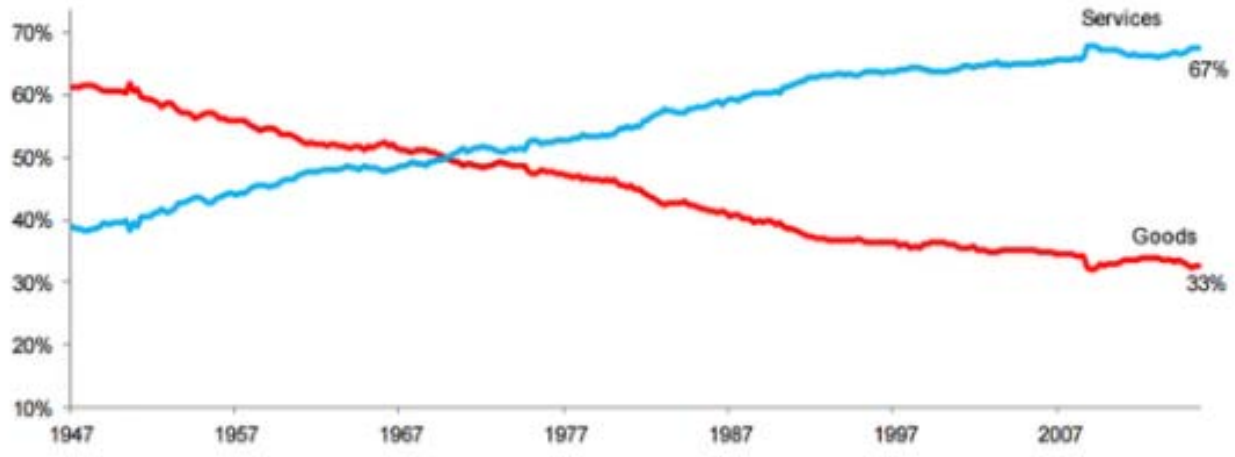
Jurisdictions have applied excise taxes to a variety of goods, including plastic bags, vape products, recreational and medical marijuana. While any of these may be a logical excise tax, none will be a significant revenue source by itself (or probably even in combination). It is also notable (as discussed in footnote 48), that there is the possibility of significant reduction in Long Island sales of certain products if local excise taxes create a significant increase in the cost of these items in comparison to surrounding areas. While some of this will be ameliorated by the geography of Long Island, the commuter characteristics of Long Island will also provide its residents (and visitors) ample opportunities to purchase these types of products elsewhere.

Expand the Base of an Existing Tax

Of existing local taxes that are not property taxes, the primary tax for consideration is the sales tax. Sales taxes as a share of personal income have been falling for decades. There are a variety of reasons associated with this erosion. When most sales tax laws were enacted, the economy was based around consumption of tangible goods. Not surprisingly, most of these statutes applied the sales tax the purchase of all tangible goods unless specifically exempted. On the other hand, services were a much smaller part of overall consumption; as a result, services were generally not subject to tax unless specifically enumerated.

Over the years, personal consumption in the U.S. has gradually shifted from goods to services. The following graph details this steady shift, with services now a clear majority of personal consumption:

Figure 29: Percent of Personal Consumption: Goods and Services



Source: Bureau of Economic Analysis, Macquarie Research, November 2015

Taxation of services among the states varies considerably. It is notable that some states tax a significant number of services in relationship to the states as a whole. Many of these states (such as Tennessee and South Dakota) are states that do not levy a broad-based income tax. In general, States that tax a wide array of services focus on consumer purchased services.

While taxing professional services (such as accounting, legal, medical and tax preparation services) would raise significant amounts of revenues, states that have done so (or attempted to do so) have encountered very strong resistance. For example, Florida began applying the sales tax to services in 1987 and abruptly ended

the tax after six months in the face of serious organized opposition. Likewise, in 2007, Michigan repealed a similar tax on services after just two months. Two states, New Mexico and Hawaii, tax nearly all services, including professional services.

While increasing the services base can be difficult, efforts to do so at the state level continue unabated (primarily consumer services). Twenty-three state legislatures considered proposals during 2017 to tax some services. Notable recent efforts have largely been unsuccessful, including last year's recommendations by Governor Mary Fallin (R-Oklahoma) to broadly tax services and collect an additional $840 million a year in sales tax revenue and Governor Jim Justice (D-West Virginia) to extend the sales tax to services to fight the state's opioid epidemic. Both were unsuccessful.

Estimates of the revenue that could be raised in New York from taxing all 'feasibly taxable' consumption by households (which avoids the issue of taxing business-to-business consumption) yields a very large number in terms of annual revenue. One calculation, which uses National Income and Product Accounts (NIPA) data and the State of New York's share of national consumption indicates that approximately half of household consumption is not subject to the state sales tax. Based on this estimate, the State could conceivably double its sales tax collection (currently $14.8 billion, including excise and user taxes).[56] According to one oft-cited study, the State of New York taxes just 57 of 165 services that are taxed by at least one state.[57]

Increase Collection Rates of an Existing Tax

State and local governments have been constrained in their ability to collect existing sales and use taxes on interstate sales because of two U.S. Supreme decisions. The 1967 decision of National Bellas Hess vs. Illinois ruled that a mail order reseller was not required to collect sales tax unless it had some physical contact with the state. As e-commerce grew in importance, the 1992 Quill v North Dakota decision applied this same restriction to remote sales over the Internet. Collectively, the decisions have resulted in the loss of hundreds of millions (if not billions) of dollars in sales and use tax revenue.

State and local revenue losses continued to grow as e-commerce has become a mainstream vehicle for conducting commerce in the U.S. and around the world. A variety of studies project that e-commerce Internet sales and other types of remote purchases are substantial and continue to grow.

As can be expected, governments have sought ways to reduce the impact of the lost tax revenue. Because the Supreme Court cases were decided on Commerce Clause issues, the original strategy focused on Congress providing a statutory authority for collection of the tax. The most recent attempt, the Mainstreet Fairness Act, has been approved in the past by the U.S. Senate (with a Democratic majority) but not the U.S. House. While there is some bipartisan support (and it enjoys the support of major retail groups and companies), the bill has not been able to advance further in recent years.

As a result, state legislatures have undertaken a variety of strategies to compel collection, mostly related to creating nexus for sales tax purposes. Some of the first attempts related to create nexus beyond mere physical presence was developed by the State of New York in 2008, often referred to as the "Amazon tax." Under the state statute, a *rebuttable* presumption is created that a nonresident internet seller has nexus with the State of New York for sales/use tax purposes if (i) the nonresident has agreements with in-state companies whereby potential customers are referred to the nonresident, and (ii) the nonresident's gross receipts from customers under such an agreement exceed $10,000 during the previous four quarters. According to a report by the

[56] Michael Mazerov, "Expending Sales Taxation of Services: Options and Issues," Center on Budget and Policy Priorities, July 2009.
[57] Federation of Tax Administrators, see http://www.taxadmin.org/fta/ub/services.html

State Comptroller, since the law's inception, online retailers remitted $360 million in sales taxes on over $4 billion in taxable online sales as of February 2012.[58]

Since that first state foray – and the litigation that followed – other states have also considered and/or adopted similar legislation. The most prominent of these was California's enactment of its "Amazon Law," which eventually led to the temporary repeal of it. Besides state activity, there have been multiple Federal proposals that would require out-of-state sellers to collect sales tax in states in which their customers were located without regard to nexus. It is notable that the multiple state efforts to create 'Amazon nexus' has proven successful, as Amazon is (as of April 1, 2017) collecting sales tax on sales in all 50 states.

Perhaps the most successful state strategy to date was accomplished by Colorado, which enacted a law focused on forcing retailers to either collect the tax or face significant paperwork requirements. The law, which survived court challenges (including the U.S. Supreme Court declining to review it), requires retailers that do not collect sales taxes to file report on how much their Colorado customers have purchased and to inform customers that they may owe state taxes on the purchases. The law requires large online retailers to send customers a notice every time they buy something to explain that they may owe use tax; if the customer makes more than $500 a year in purchases, the retailer must also send them an annual summary of their purchases. They must also file an annual report with the state detailing customer name, billing and shipping addresses and the total amount spent each year. This approach has become something of a national model.

Legislation addressing sales tax nexus has been a major trend across the country this year as states pursue strategies to overturn *Quill* after Justice Kennedy's invitation to present an opportunity for the Court to review its precedent back in March 2015. 42 bills were introduced in 16 states, with 5 bills ultimately enacted (Louisiana, Ohio, Oklahoma, South Dakota, and Vermont). At the same time litigation is already underway in in Alabama and South Dakota related to their 'economic nexus' laws, which define nexus related to sales into the state rather than the physical presence in the State (the standard in Quill). In the most recent court development, on September 13, 2017, the South Dakota State Supreme Court upheld a lower court's holding that the state could not impose a sales tax collection obligation on sellers that do not have a physical presence in the state, which was based on the physical presence requirement established in Quill v. North Dakota.[59]

On October 3, 2017, the state of South Dakota filed a 70-page cert petition with the U.S. Supreme Court asking it to overturn the Quill physical presence rule. In particular, the petition argued that the revenue losses facing the states and the unfair advantages given Internet retailers over main street businesses should be addressed. On January 12, 2018, the U.S. Supreme Court granted cert in the case. There are indications (based on both Supreme Court Justice Kennedy's signal in an earlier decision and an appellate court decision by Justice Gorsuch) that the Supreme Court is willing to at least reconsider the Quill decision. Justice Kennedy, in a 2015 concurring opinion wrote that "When the Court decided Quill, mail-order sales in the United States totaled $180 billion. By 2008, e-commerce sales alone totaled $3.16 trillion per year in the United States. . . Because of Quill and Bellas Hess, States have been unable to collect many of the taxes due on these purchases. . . The result has been a startling revenue shortfall in many States, with concomitant unfairness to local retailers and their customers who do pay taxes at the register. . .Given these changes in technology and consumer sophistication, it is unwise to delay any longer a reconsideration of the Court's holding in Quill. A case

[58] Lexis Nexis – Online Sales Tax Push Continues Despite Disappointing Returns (March 8, 2013). Accessed electronically at: http://www.lexisnexis.com/legalnewsroom/corporate/b/business/archive/2013/03/08/online-sales-tax-push- continues-despite-disappointing-returns.aspx

[59] South Dakota v. Wayfair, 2017 S.D. 56, S.D. Supreme Ct. (9/13/17)

questionable even when decided, Quill now harms States to a degree far greater than could have been anticipated earlier."[60]

The South Dakota case is scheduled for oral arguments before the U.S. Supreme Court on April 17, 2018. Given the fact that this issue may well be resolved by the Supreme Court – or may, at least, create additional likelihood of using Colorado-like statutes to induce vendor tax collection – the following provides an analytical method to provide a rough estimate of possible additional revenue for Nassau and Suffolk County associated with sales tax collection by e-commerce vendors. It is notable that even if the Supreme Court were to rule in South Dakota's favor, it would be necessary for the State of New York to legislatively create this same type of 'economic nexus' to require Internet sellers to collect the tax from New York residents.

The primary research related to tax revenue losses associated with Internet sales has been done by University of Tennessee Professors Donald Bruce and William Fox. Their initial research was conducted in 2001[61] and was updated in 2009.[62] Their 2009 study included updated estimates of revenue losses associated with e-commerce through FY2012. That analysis indicated that the revenue loss for New York State and local governments totaled approximately $865.5 million for FY2012.

It is notable that other researchers have suggested the revenue loss is much smaller. For example, analysis conducted for the Direct Marketing Association suggested that the revenue losses estimated by the 2001 Fox Bruce analysis were significantly lower for FY2011 - $4.5 billion as opposed to $54.8 billion. Those who are for lower estimates generally note that much of ecommerce is business-to-business transactions, and businesses generally comply with the requirements to remit use tax on those transactions. In recent years, Amazon's voluntary (or perhaps involuntary) collection of sales taxes (in all states as of April 1, 2017) has also ameliorated a significant portion of the lost revenue. One study estimated that Amazon's market share for online retail sales in the US was 43 percent in 2016. The study, which analyzed more than 4 million online purchases, also found that Amazon accounted for 53 percent of the growth in US e- commerce sales for the year.[63] Another analysis suggests that Amazon will account for over half of US online retail sales by 2021.[64]

Given the fluidity around e-commerce, there are reasonable arguments that can be made on both sides of the issue of state and local government revenue loss. On the issue of the original Fox and Bruce study, it should be noted that it only estimates losses associated with electronic commerce, and there are a variety of non-electronic remote sales (such as via phone or through catalogues) that are also subject to the Quill physical presence nexus standard. To estimate this revenue loss, a team led by Dr. Lorrie Jo Brown with the Washington State Office of Financial Management analyzed additional revenue loss from non-electronic remote sales. That analysis found that the uncollected tax related to non-electronic sales was significant (but declining as a share of overall uncollected sales). The following table projects both categories of lost revenue:[65]

[60]Direct Marketing Association v. Brohl, 135 S. Ct. 1124, at 1135.
[61] Donald Bruce and William F. Fox, State and Local Sales Tax Revenue Losses from E-Commerce: Updated Estimates, University of Tennessee Center for Business and Economic Research, September 2001.
[62] Donald Bruce, William Fox and LeAnn Luna, "State and Local Government Sales Tax Revenue Losses from Electronic Commerce, State Tax Notes, 52:537-558, May 18, 2009.
[63] Business Insider, February 3, 2017, accessed electronically at http://www.businessinsider.com/amazon-accounts-for-43-of-us-online-retail-sales-2017-2
[64] "Amazon Will Make Up 50% of All U.S. E-Commerce by 2021," Fortune, April 10, 2017, accessed electronically at http://fortune.com/2017/04/10/amazon-retail/
[65] NCSL and ICSC, "Uncollected Sales and Use Tax from Remote Sales: Revised Figures (March 2017), accessed electronically at https://www.reit.com/sites/default/files/Sales-Tax-Figure-March-2017-ICSC.pdf

Table 16: Projected Uncollected Electronic & Non-Electronic Sales & Use Taxes (in Millions)

Year	Total Uncollected Sales & Use Tax	Uncollected Tax Electronic Sales	Uncollected Tax Non-Electronic Sales
2012	$23,260	$11,393	$11,867
2013	$24,401	$12,915	$11,486
2014	$26,502	$14,936	$11,566
2015	$29,558	$17,182	$12,375

Sources: Bruce, Fox, Luna; Brown; ICSC Research

It is reasonable to assume that the claims tend to balance each other out: there is assumed lost revenue that is now being collected from Amazon and other voluntary collectors, and some of the assumed lost revenue is business-to-business transactions that is captured via the use tax. There is also lost revenue via non-electronic sources, and e-commerce continues to outpace estimates of its share of the economy. As a result, it makes sense to provide a range of estimated additional revenue that could be collected were the State to enact a broader standard for economic nexus (and were the U.S. Supreme Court to overturn Quill).

Based on the original $865.5 million estimate for lost New York State and local government revenue and adjusting it for sales tax collections in FY2013 through FY2016 and applying Nassau and Suffolk County's share of total collections (8.69 percent), estimated lost revenue would total $86 million. Of course, the range of possible revenue estimates (given the analyzed factors on both sides of the estimate) would suggest a fairly broad range – likely in the range of $50 to $100 million.

The advantage of a Supreme Court decision that either compels broad-based collection or supports state efforts to create economic nexus is that any broadened base created for state-level sales and use taxes will also apply to the same local sales and use taxes. It will require no additional action by the State. If either the Supreme Court or Congress were to compel broad-based collection of sales taxes on sales over the Internet, it would be a major boost for local government sales tax collections.

Summary

While a fundamental change in tax structure (such as enacting a local income tax) could be considered, it is likely to be more feasible to make smaller, incremental changes to other taxes. As discussed, local taxes could provide a significant amount of new revenue that could be used to replace property taxes. It should be understood that these would be a replacement for existing property tax revenue – they would not increase the overall local tax burden.

The following table details a possible mix of new revenue that could be used to replace existing property tax revenue:

Revenue Source	Additional Revenue
Sales tax nexus changes	$ 92 million
Increased sales tax rate	$ 157 million
Sales tax on motor fuels cap removed	$ 50 million
Sugared beverage tax	$ 125 million
Vape tax	$ 1 million
Medical and recreational marijuana	$ 75 million
Total	**$ 500 million**

The issue of reducing property taxes for impacted individuals on Long Island is a local issue but has statewide ramifications. It is well established and accepted that there is a flow of state tax revenue from Long Island that broadly supports statewide programs and services. It is thus in the State's best interest for the Long Island economy and employment to grow – to act as an economic engine that benefits the State as a whole.

Given the issues identified related to negative effects of burdensome property taxes on the Long Island economy, it is in the State's best interest to support these property tax relief efforts. It makes economic sense for the State to advance these efforts. In this particular area, a State match of local new taxes would help ensure that sufficient revenues can be provided to ameliorate the current property tax burdens that are hampering local (and, thus, state) growth. A combined revenue stream approaching $1 billion will help ensure that the message is delivered – that property tax relief and reform is understood to be an important part of Long Island's continued growth and prosperity.

Other Related Issues

Overview

The project team acknowledges that property tax increases have moderated since the implementation of the property tax cap statute. This is especially pronounced in the largest component of property tax – school taxes. However, there are reasons to be concerned about the long-term sustainability of tax cap compliance by schools, including:

- Recent school tax cap compliance rates correlate with substantial increases in State school aid payments. However, the State's capacity to continue these increases may be impaired by current Federal legislation and budget proposals, including Healthcare reform's impact on Federal Medicaid payments to New York. If these proposals are enacted, the impact on New York State will be billions. In that case, State school aid payments are likely to be adversely effected.
- In recent years, school pension rates have been declining due to higher than assumed stock market performance. However, if the markets were to sustain a significant and protracted correction, the downward trend in pension rates would be reversed.
- School districts have experienced a significant teacher retirement rate in recent years, allowing them to generate savings by replacing retiring teachers with new ones hired at lower pay rates. To the extent the pool of retirement-eligible teaches shrinks and turn-over decreases, these "painless savings" mechanism may be significantly reduced.

Moreover, when it comes to taxes, Long Island does not control its own destiny. As previously noted, despite a strong tradition of home rule throughout New York, the State Constitution requires that the creation of a New York local tax and, in some cases, the rate at which it is assessed, be approved by the state legislature and the governor. Similarly, considering the sizable impact of school spending on local taxes, state decisions on the level of school aid can affect the burden on individual property owners. The same can be said for funding decisions at the federal level that can impact local spending on everything from healthcare and other human services to law-enforcement and the environment.

What follows are examples of "external" issues and initiatives that could have a significant impact on Long Island spending and, thus, taxes.

Nassau County Property Tax Assessments

Tax appeals in Nassau County are a significant factor in local government budgeting. It is notable that a significant share of property taxes that are appealed in Nassau County are upheld. One recent analysis suggests that the system created a $1.7 billion tax shift in 2017. It is possible that a planned reassessment in January 2018 should help correct these inequities.[66] It is not clear what the reassessment entails.

The current system allows easy, no cost tax appeals. As a result Nassau County saw a record number of appeals (about 216,000 in 2017).

The County's current trend is to accept most appeals that it receives; this effectively shifts some of the tax burden on those who do not appeal. This will not be sustainable as the number of homeowners who decide to appeal continues to increase.

[66] "Record number challenge Nassau tax assessments for first time" Matt Clark. Newsday (May 29, 2017) http://www.newsday.com/long-island/nassau/record-number-challenge-nassau-tax-assessments-for-first-time-1.13680564

County Cost-Sharing Initiative

Spurred by Governor Andrew Cuomo, Long Island's county executives are leading a regional effort to bring together dozens of local governments to "do more with less." The result for taxpayers? Potential savings in the tens of millions.

As a key initiative in his 2017 State of the State address, Governor Cuomo directed county executives throughout the state to prepare plans to achieve recurring cost savings through inter-municipal cooperation. The Governor announced the initiative as a companion to his cap on local property tax growth. On Long Island, the Nassau and Suffolk County Executives convened town, village and other local officials to consider possible "shared services" agreements that could achieve economies of scale. Public hearings were held that summer, along with meetings of local leaders, resulting in a series of cost-saving measures that will be put before voters in a county-wide referendum.

The Suffolk County report, which included a "virtual store" through which municipalities can buy or barter services from each other, estimates savings of $37 million – but the report notes that this is just the beginning of its efforts and that larger savings are possible. Nassau County did not put an overall dollar figure on its savings, although one initiative alone – a plan to close a sewage treatment plant by allowing Long Beach to tap into the country waste disposal system – could avoid a net of $138 million.

This is not the first collective cost-saving initiative in the region. A recent state program has inspired some local governments to compete for efficiency awards – and a number of stakeholders interviewed by the project team expressed skepticism that the savings would take a meaningful bite out of the billions of dollars spent by municipalities. But local and state policymakers acknowledge that the latest initiative bears close attention because of its "carrot and stick" approach: Albany can deliver financial rewards or penalties based on how the counties perform. There also is optimism because of the mostly enthusiastic embrace by Long Island officials whose constituents, they feel, appreciate the focus on their tax bills.

Despite some private concerns among local stakeholders, particularly that village governments might be singled out for approbation and that school districts are not included in the conversation (as they have been in the Council study), the public response to the governor's initiative was overwhelmingly positive across geographic and partisan lines. Suffolk County Executive Steve Bellone and incoming Nassau County Executive Laura Curran remain committed to embracing the findings and building on them. Town of Oyster Bay Supervisor Joseph Saladino, a Republican, said, "Now we will bring together our local municipalities to save money for our taxpayers." Town of Babylon Supervisor Rich Schaffer, a Democrat, said, " When local governments team up and work together, we can find ways to eliminate duplication and provide cost-saving solutions – reducing taxes for our residents and allowing our communities to thrive for years to come."

Impact of Federal Tax Law Changes

On December 22, 2017, President Donald J. Trump signed into law the Tax Cuts and Jobs Act of 2017 (TCJA), which makes significant changes to the federal tax code as it relates to both the individual and corporate taxes. In general, this is the most significant change to federal tax law since the Federal Tax Reform Act of 1986. Given its scope and complexity, many of the details and impacts related to the TCJA are still being determined. At the same time, it is clear that there are features where the impact on the State of New York – and the Long Island region – is relatively well understood. The following will discuss these features.

In particular, the law limits the deductibility of combined state and local taxes (SALT) for federal income tax purposes to $10,000 per federal tax return per year. Yet the average local real property tax bill alone is in the range of $10,000 per year on Long Island, assuring a significant negative impact on the majority of the region's taxpayers. Indeed, the loss of the deduction prompted thousands of Long Islanders to "pre-pay" their 2018 property tax bills, with tax receiver offices through Nassau and Suffolk Counties open late on the final weekend of 2017.

According to the State of New York, the law's limitations on the deductibility of state and local taxes will cost New York's taxpayers an additional $14.3 billion per year. Lost deductions of this magnitude are likely to have a ripple effect on state taxes, which may well impact on the services provided by the State.

It is not surprising that several states are investigating and/or moving forward with approaches that might mitigate the effects of the limit on the SALT deduction for federal tax purposes. The most direct challenge to the new limitation is a legal one. The Governors of the States of New York, Connecticut and New Jersey have announced plans to sue the federal government. The Governors will argue that the cap amounts to 'double taxation' and will also seek evidence that it was designed to target states that tend to vote Democratic. The lawsuit will be filed in federal court in the coming weeks. The Governors also indicated that they are also talking to other states about potentially joining the suit.[67] Most recently, State of Maryland Attorney General Brian Frosh indicated that he would be joining the lawsuit.[68]

Besides the legal challenge, there are at least two primary efforts focused on work arounds to mitigate the effects of the $10,000 limit on the SALT deduction. Both of these proposals first surfaced in a paper jointly written by multiple professors of law and/or taxation at major universities and law schools. The primary drafters, Professors Ari Glogower (Ohio State University School of Law), David Kamin (NYU School of Law), Rebecca Kysar (Brooklyn Law School) and Darien Shanske (UC Davis School of Law), identified opportunities to 'game' the new tax law in multiple areas.[69] Besides the issues related to the SALT deduction, other topic chapters in the paper are using corporations as tax shelters; pass through games; international games, roadblocks and glitches; other games; and other glitches.

Since the publishing of this paper, the following two attempts to circumvent the limit on the SALT deduction have been further analyzed by proponents and opponents of the TCJA as well as neutral third parties. This analysis has focused on issues of workability, impact on state and federal tax policy and likely federal responses. The following summarizes the two concepts as well as the key issues surrounding the approaches.

Use of Charitable Contributions as a Substitute for State Income Tax and/or Local Property Tax

While the SALT deduction is limited to $10,000 per tax return under the TCJA, there was no new limitation created for the existing deduction for contributions to charitable organizations. It is notable that this deduction is also not limited by the existing or revised alternative minimum tax (AMT). The charitable deduction applies to charities that support certain activities of Federal, State, local governments. In fact, the TCJA actually increases the limit on these deductions.

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[67] Renae Merle, "New York, New Jersey and Connecticut Plan Lawsuit Challenging Constitutionality of Tax Law," The Washington Post, January 26, 2018.
[68] "Maryland Joining Other States in Suit over Federal Tax Act," Bloomberg News, February 1, 2018, accessed electronically at https://www.bna.com/maryland-joining-states-n73014474978/
[69] Reuven Avi-Yonah, Lily Batchelder, J. Clifton Felming, David Gamage Ari Glogower, Daniel Hemel, David Kamin, Mitchell Kane, Rebecca Kysar, David Miller, Darien Shanske, Daniel Shaviro and Manoj Viswanathan, "The Games They Will Play: An Update on the Conference Committee Tax Bill, December 22, 2017, accessed electronically at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3089423

One proposal to diminish the impact of SALT is use the federal deduction for charitable contributions by encouraging additional charitable giving to the State or local governments to support activities that are currently paid for by taxes. The State would encourage the contributions by offering a tax credit that would offset some percentage of the contribution. Some proposals would provide a 100 percent credit (basically a dollar-for-dollar credit), but others would limit it to some smaller percentage (perhaps 95 percent).

The New York State Department of Taxation and Finance (DTF) points out that many states currently incentivize charitable contributions by providing state income tax credits for all or some portion of certain charitable donations in support of public purposes. These tax credits typically replace less valuable state tax deductions and complement the federal deductions that remain available for these contributions. For example, DTF notes that many states provide tax credits for donations to support public schools and colleges, with the value of these tax credits ranging from 10 percent to 100 percent of the contribution.

Under this approach, New York State could establish one or more State-operated charitable funds to receive taxpayers' contributions to support the delivery of State programs and services that improve the public welfare, including healthcare, homelessness and public education. Local governments and school districts could establish similar funds, and taxpayers who make contributions would be eligible for a property tax credit. The State or local legislation establishing these new funds would specify the allowable uses of donations to each fund. The legislation would also create a tax credit that would offset some percentage of contributions to the funds made during the taxable year. The credit would be available to reduce a donor's income tax liability, but any credit in excess of that tax liability would not be transferrable, refundable or available for use in future years. The tax credit would be available to all residents and nonresidents who are required to file New York income tax returns or pay local property taxes.

In fact, this approach was included in the State FY2019 budget. As part of the budget enacted by both the Assembly and the Senate on March 30, 2019, two new state-operated **Charitable Contribution Funds** were created to accept donations for the purpose of improving health care and education in New York. According to Governor Cuomo's press release outlining the details of the state budget, taxpayers who itemize deductions may claim these charitable contributions as deductions on their Federal and State tax returns. The State tax credit will equal 85 percent of the amount for the tax year after the donation is made. The legislation also authorizes school districts and other local governments to create charitable funds; if created, contributions to those funds would provide a reduction in local property taxes (through a local credit) equal to a percentage of the contribution.[70]

Discussion

This approach is also being developed in other states negatively impacted by the limit on the SALT deduction. For example, California state Senate leader Kevin de Leon introduced legislation on January 4, 2018 to apply this same type of tax credit and benefit for taxpayers in his state. It is notable that California and New York are among the states most impacted by the new SALT limit. According to IRS data, the average taxpayer in New York deducted more than $22,000 and the average taxpayer in California $18,000 in 2015.[71] Other states that are considering this approach include Illinois, Maryland, Nebraska, New Jersey, Virginia and Washington.[72]

[70] "Governor Cuomo Announces Highlights of the FY 2019 Budget," Office of Governor Andrew Cuomo, March 30, 2018, accessed electronically at https://www.goveronr.ny.gov/news/governor-cuomo-announces-highlights-fy-2019-budget
[71] Joseph Lawler, "California state Senate leader introduces workaround for tax law's SALT limit," Washington Examiner, January 4, 2018.
[72] "Maryland Joining Other States in Suit over Federal Tax Act," Bloomberg News, February 1, 2018, accessed electronically at https://www.bna.com/maryland-joining-states-n73014474978/

From a workability perspective, this approach is appealing, as it requires no change in existing state and local tax structures. However, there are concerns that the approach might not survive a challenge by the IRS. The Tax Foundation has argued that case law and IRS regulations require charitable intent to be deductible, and the plan would make it difficult to prove charitable intent.[73] As Scott Peterson, vice president of U.S. tax policy at the tax software company Avalara noted, ". . . the IRS is very accustomed to people trying to reclassify their income as something else. They know how to deal with that, so I don't think they're going to allow any state to reclassify something as something that can be deductible."[74] On the other hand, other tax experts, such as Kirk Stark, a tax law professor at UCLA, argue that there is considerable IRS and court precedent around the full deductibility of charitable contributions to states in other circumstances.[75]

Of course, if this type of charitable contribution were allowed, the revenue impact in states like California and New York might tip the scales in favor of resisting it. According to an analysis by University of Chicago Law School Professor Daniel Hemel and Bloomberg, state tax workarounds in just five states could reduce federal tax revenue by $154 billion over the next eight years, with California accounting for $66.8 billion and New York $50.6 billion.[76] Even if the IRS were to allow the technique to stand, it is possible that the same Congress that approved the TCJA would circumvent the approach in follow-on legislation.

Options for a Statewide Employer Compensation Expense (Payroll) Tax

Another approach, suggested by Governor Cuomo in his State budget address, would be to restructure the State's tax code to reduce reliance on the current personal income tax (PIT) by establishing a payroll-based employer compensation expense tax system. In fiscal year 2017, the State's PIT generated $47.6 billion in revenue, of which $37.5 billion was remitted as withholding from employee wages. While the new tax law limits the deductibility of state income taxes for individuals, employer-side taxes on payroll remain deductible. Relying more on employer-side payroll taxes and less on personal income taxes could allow the State to mitigate the negative impacts of the cap on the SALT deduction.

All states have some form of a state-level payroll tax in place for activities such as administering the Unemployment Insurance program. Depending on the design, a new employer payroll tax could generate billions of dollars in state revenues that would be deductible for the employer for federal income tax purposes. The way the approach works is based on the expectation that worker wages subject to the new payroll tax would be reduced by approximately the same amount as the new payroll tax. In this way, the employer is 'held harmless' – as is the employee, as the foregone income replaces (via a tax credit) the PIT that they currently owe to the State.

The following options were identified in a report of the impacts of the TCJA prepared for Governor Cuomo.[77]

A. **Create a *Progressive* Statewide Employer Compensation Expense Tax**. Under this plan, the payroll tax would differ from existing payroll taxes, which are generally a fixed percentage of wages. The following are approaches that could implement the plan:

[73] Jared Walczak, "State Strategies to Preserve SALT Deductions for High-Income Taxpayers: Will They Work?" Tax Foundation Fiscal Fact No. 569, January 2018.
[74] Michael Cohn, "States Look for Workarounds with New Tax Reform Law," Accounting Today, January 3, 2018, accessed electronically at https://www.accountingtoday.com/news/states-look-for-workarounds-with -tax-cuts-and-jobs-act
[75] Jeanne Sahadi, "How High-Tax States May Try to Get Around the New SALT Deduction Cap," CNN Money, January 3, 2018, accessed electronically at http://money.cnn.com/2018/01/03/pf/taxes/salt-deduction-high-tax-states/index.html
[76] Suzanne Woodley, "State Tax Workarounds Could Mean $154 Billion Lost to Treasury," Bloomberg, January 24, 2018, accessed electronically at https://www.bloomberg.com/news/articles/2018-01-24/state-tax-workarounds-could-mean-154-billion-lost-to-treasury. The other states are Illinois ($16.8 billion), New Jersey ($12.5 billion) and Connecticut ($7.5 billion).
[77] "Preliminary Report on the Federal Tax Cuts and Jobs Act," New York State Department of Taxation and Finance, January 2018.

a. **Calculate an Employer Compensation Expense Tax Based on Current Income Tax Withholding Tables**. This approach would use the current withholding tax system to assess a new employer compensation expense tax on wages that employers would be obligated to pay. Employees would get a tax credit on their individual income tax equal to the payroll tax they paid in the tax year.

b. **Implement a Progressive Employer Compensation Expense Tax and Eliminate Personal Income Tax on Wages.** This approach would likely also be based on the withholding system, but would be more complicated in order to capture all the wage tax revenue currently collected by the PIT system.

c. **Implement a Progressive Employer Compensation Expense Tax and Provide a Wage Credit to Employees.** This approach is similar to the first option.

B. **Adopt a *Flat Rate* Employer Compensation Expense Tax While Maintaining the Progressive Income Tax System.** This version of the payroll tax would be similar to existing (flat rate) payroll taxes.

a. **Implement a Flat Employer Compensation Expense Tax at or Below the Lowest Marginal Tax Rate While Maintaining the Progressive Income Tax System.** Most payroll taxes assess a fixed percentage on wages earned. This approach would take into account such factors as filing status or other sources of income.

b. **Implement an Employer Compensation Expense Tax at a Higher Flat Rate While Maintaining the Progressive Income Tax System.** This would be accomplished essentially the same way as the option above. However, the income tax credits could be progressive to mirror the tax percentages in the income tax itself.

C. **Target an Employer Compensation Expense Tax Above a Specified Wage Threshold.** To assure progressivity, this option would exempt the first increment of wages from the tax, taxing only higher-paid workers. Employees would still file an income tax.

D. **Tax Surcharge on Supplemental Wages.** In calendar year 2016, the Division of the Budget estimates that approximately 12 to 13 percent of all wages were supplemental/bonus income. This approach would differentiate between regular wages and supplemental wages – bonuses, commissions and other types of compensation that are not paid at fixed rates or amounts per payroll period. This option would leverage this distinction to provide differential tax treatment for types of compensation. Regular wages would continue to be subject to state income taxes, and employers would continue to withhold taxes from their employees' regular wages. Supplemental wages would not be subject to state income taxes; employers would instead pay a flat rate surcharge on those supplemental wages.

E. **Institute an Employer Opt-in Employer Compensation Expense Tax.** Under an employer opt-in model, a new employer compensation expense tax would apply only to employers who elect to opt into the system. Those employers who elect to participate would pay an entity-level compensation expense tax, with employees receiving corresponding credits to offset their individual income taxes. This approach would provide flexibility for employers to help their employees adjust to the new federal tax changes.

One version of this model would create a new class of businesses in New York. The new business designation (which for the sake of illustration will hereinafter be referred to as the "A-Business" designation) would not be a substitute for existing corporate forms, such as C corporations, LLCs, and partnerships, and instead would serve as a designation that crosses various corporate forms.

F. **Institute an Employer Opt-in Employer Compensation Expense Tax.** Under an employer opt-in model, a new employer compensation expense tax would apply only to employers who elect to opt into the system. Those employers who elect to participate would pay an entity-level compensation expense tax, with employees receiving corresponding credits to offset their individual income taxes. This approach would provide flexibility for employers to help their employees adjust to the new federal tax changes. As with the option above, this approach could create a new class of businesses in New York.

Discussion

On March 30, 2018 both the New York Assembly and Senate completed action on the FY2019 state budget. As part of that work, variations on these two approaches were enacted, with the goal of reducing the impact of the TCJA limit of $10,000 for the deduction for state and local taxes. The first approach, expanded charitable contributions, was discussed in the prior section. In addition, the budget created an **Alternative Employer Compensation Expense Program.** Employers would be able to opt into a new state tax structure. Employers who opt in would be a subject to a 5 percent tax on all annual payroll expenses in excess of $40,000 per employee, phased in over three years beginning on January 1, 2019. The existing personal income tax system would remain in place, and a new tax credit corresponding in value to the new tax would cut the personal income tax on wages. According to the Governor's press release, this would ensure that State filers subject to the new tax would not experience a decline in take-home pay.[78]

As the previous examples and explanation suggest, there is a great deal of latitude associated with creating a new structure based around employer payroll taxes. There continues to be significant discussion and debate about whether the approaches being put into law in New York (and elsewhere) will be viable and/or lead to a counter-response from the US Congress or the IRS.

As a starting point for discussion, there is far more complexity in the payroll tax approach compared to the charitable contribution method. That also means there will be greater administrative costs (for both the public and private sector) associated with this type of a plan. There are mixed signals about how business leaders in impacted states and regions will view this type of proposal. Kathryn S. Wylde, president and CEO of the Partnership for New York City business group, was quoted as saying the effort while complex is worthwhile. As she noted, "There are 1 million taxpayers out of 9 million filers that are going to be substantially hurt" by the federal tax law.[79] On the other hand, Heather Briccetti, president and CEO of the Business Council of New York State has said that "we have major concerns with a new payroll tax, and with increasing business taxes to offset reductions in federal taxes."[80]

Proponents of the payroll deduction plan note that there are several advantages to state taxpayers in this substitution. Because wages would decrease, Social Security and Medicare taxes for employees would also be reduced. It would also exclude state taxes for employees that use the standard deduction and reduce the

[78] "Governor Cuomo Announces Highlights of the FY 2019 Budget," Office of Governor Andrew Cuomo, March 30, 2018, accessed electronically at https://www.goveronr.ny.gov/news/governor-cuomo-announces-highlights-fy-2019-budget
[79] Michael Gormley, "Cuomo Agency Offers Options to Offset Fed Income Tax Hit," Newsday, January 17, 2018, accessed electronically at https://www.newsday.com/news/region-state/cuomo-payroll-tax-1.16230948
[80] "Income vs Payroll Tax: Here's What You Need to Know," Times Union,, January 4, 2018, accessed electronically at http://www.timeunion.com/new/article/income-vs-payroll-Here-s-what-you-need-to-12471453.php

number of taxpayers who qualify for the federal alternative minimum tax. On the other hand, opponents point out that reducing payments tied to wages for Social Security would have ramifications for the system and for the benefits earned by workers; there would also be pension impacts, as most public sector pensions are based on a combination of peak earnings for a set number of years (often three to five years) and length of service.

There are a number of workability concerns – which may or may not be considerable, depending on the type of workaround that is proposed and/or initiated. The Tax Foundation has argued that the IRS may consider a new employer payroll tax with a compensating state tax credit to constitute payment of the employee's income taxes by the employer, which could increase the individual's federal tax liability.[81] There are also concerns that the simplest approach – a flat payroll tax – could actually increase regressivity of the PIT. While a progressive rate structure would solve this problem, it is unclear how this approach would work for individuals with more than one source of taxable income.

A central tenet of this approach is that wages would decrease to mitigate the effects of the new payroll tax on the employer. However, there are multiple instances where that assumption may not be possible. Minimum wage workers, for example, cannot have their wages reduced below that statutory floor. Many other workers are covered by collective bargaining or other types of multi-year contracts that cannot also have their wages reduced without reopening the contract. Beyond these practical issues, the administrative complexity of engineering this 'payroll taxes for reduced wages' swap is daunting, and it is likely that in many cases, the transition would be far from seamless or a 'hold harmless' situation.

One of the advantages of the combined approach initiated by the State is that it provides an opportunity to impact on local property taxes as well as state personal income taxes. As this study points out throughout, local property taxes are, in many cases, well over the $10,000 limitation on deduction of state and local taxes by themselves.

See Appendix H for more information regarding additional ramifications from the TCJA.

Reduction in Federal Aid to Local Governments and School Districts

Another potential threat to local budgets posed by the current administration and the congressional majority are proposals to reduce federal aid to municipal governments and school districts. Political observers believe that cutbacks in federal programs, such as Community Development Block Grants for economic development, housing and other local projects and Title I for poverty-related programs in schools, are possible, given the interest in increasing military spending and continuing to enact tax cuts.

The State Comptroller estimates that federal aid accounts for at least 11 percent of the counties' revenues, a substantial amount whose loss would either cause serious reductions in services or sharp increases in property taxes. The "hit" on many school budgets could be even harder. Federal aid to school districts varies widely due to the vast differences in wealth on Long Island, but runs as high as 55 percent of New York City's education budget and about 35 percent of districts statewide. There were no averages immediately available for Long Island but federal aid is playing a greater role in funding Nassau and Suffolk schools as an increasing number are below state averages in wealth and are educating more and more poor children.

[81] Jared Walczak, "State Strategies to Preserve SALT Deductions for High-Income Taxpayers: Will They Work?" Tax Foundation Fiscal Fact No. 569, January 2018.

As a result of the perceived threats to their budgets, local officials in major cities and counties, including Nassau and Suffolk, are urging their representatives in Washington to be especially mindful of efforts to eliminate or substantially cut direct federal funding for these programs.

As it relates to current federal spending, on February 9, 2018, the U.S. Congress passed a two-year budget agreement that will increase federal spending by approximately $300 billion and suspend the debt ceiling for a year. Although briefly suggesting he would not, President Trump signed the bill, averting a government shut-down. While the budget measure maintains current funding commitments (and adds additional spending for both defense and domestic programs), it is an open question as to whether these spending commitments can be maintained in future years. Credible sources suggest that the U.S. could be headed to trillion dollar deficits as a result of the approved spending and tax cut packages – and those levels are certainly not sustainable in the long-run.[82]

Threat to Federal Medicaid Funding

At more than $37 billion annually, Federal support for Medicaid is the largest component of Federal funds in the New York State budget. These funds have increased by $7 billion (23 percent) over the past 5 years, primarily because of rising costs in the health services sector and expansions of coverage resulting from the Affordable Care Act (ACA).

With Medicaid appropriations totaling over $70 billion, the FY2019 Executive Budget continues to hold counties harmless for the increase in the local share of Medicaid costs. However, significant funding threats exist that could pose a risk to Nassau and Suffolk Counties' obligations under the Medicaid program.

In 2017, New York State faced unprecedented and repeated actions from Washington aimed at crippling the State's healthcare system. These included attempts to repeal the Affordable Care Act, putting healthcare for millions of New Yorkers, along with billions of dollars in Federal Medicaid funding, at risk. Additionally, the President took unilateral Executive action to withhold Cost Sharing Reduction (CSR) payments, threatening low-cost health insurance coverage for income-eligible recipients when purchasing a Qualified Health Plan or Essential Plan coverage through the New York State of Health, New York's official health plan marketplace. While CSR funding has since been restored by Congress, a number of budgetary and administrative actions are under discussion in Washington that, if enacted, could be catastrophic to the State's healthcare programs. These include converting Medicaid funding to a block grant; reducing the minimum Federal Medical Assistance Percentage (FMAP); cuts to, or elimination of the Disproportionate Share Hospital (DSH) program; and discontinuance of Federal waivers.

In response, the FY2019 Executive Budget includes a mechanism to assist with budget balance and mitigate Federal risks. The Director of the Budget is charged with preparing a corrective action plan for consideration by the Legislature in the event that 1) Federal aid for Medicaid is reduced by $850 million or more, or 2) Federal aid for all other programs is reduced by $850 million or more. The FY2019 Executive Budget also creates a new account to ensure the continued availability and expansion of funding for quality health services to New York State residents, and mitigate risks associated with the loss of Federal healthcare funds.

If sufficient Federal cuts occur to require the budget reduction plan discussed above, and/or if the windfall profits tax is not approved, other reductions in state aid to schools and local governments may result, potentially further exacerbating the current tax burden.

[82] "Budget Deal Would Assure Permanent Trillion-Dollar Deficits," Committee for a Responsible Federal Budget, February 9, 2018, accessed electronically at http://www.crfb.org/blogs/budget-deal-would-assure-permanent-trillion-dollar-deficits

Summary/Next Steps

As explained throughout the report, changes to the tax structure on Long Island would require significant involvement and support from State policymakers. It would also, of course, require the support and buy-in from Long Island local government policymakers and business and community leaders. There will be the need to shape these policy choices to meet the unique needs and interests of multiple stakeholders.

As a result, and in keeping with the mission of Council, the project team has chosen to provide viable alternatives – a menu of options – rather than a single recommended course of action. The policy team, which has significant experience and expertise with major policy change in New York State and in other local and state governments, believes that this approach creates the best opportunity for concrete change and successful outcomes.

Providing an array of options should not be confused with suggesting inaction. On the contrary, the analysis throughout this report and the high level findings point to a need for action to sustain economic activity and opportunity as well as quality of life for its citizens, households and businesses. While some recent policy decisions (most notably the State property tax cap but also various approaches to sharing services and efficiency) have helped to improve some of the long-term outlook related to property tax growth and burden, the analysis indicates that it alone will not be sufficient to materially change the region's standing or its impact on many of its households.

The approaches identified in the chapter on alternatives to the property tax are all viable and can be workable. The project team believes that they each have the potential to create a system that is more balanced, stable and effective. At the same time, each approach has disadvantages as well as advantages. It is a fact of public finance that there is no perfect tax, and each creates what is known as "deadweight loss" of economic activity. Any commentary that focuses solely on the negative impacts of a particular tax without weighing its overall impact on the tax system is disingenuous. The analysis provided in this study weighs both positive and negative impacts of differing systems, and any discussion of these alternatives should be help to the same standard.

In the end, the analysis suggests that the current structure is outside the norm for local government revenue structures. It also provides a framework for discussion and deliberation. It is hoped that this will provide a starting point for a dialogue on how best to provide the revenue that is needed to maintain and sustain necessary public sector services for Long Island.

Next Steps

The Council's goal in presenting this analysis is to focus public and policy attention on the looming risk that the property tax represents to the economic sustainability of Long Island and to foster discussion of the options contained herein.

Rather than an abstract discussion, this report provides independent analysis by national and local experts that can form the basis to informed, substantive debate of the options for improving the Island's economic future. In the weeks and months ahead, the Council will be providing different types of platforms for discussion of the future of the property tax. Our hope is that policy makers and advocates will engage in a constructive, results-oriented process to formulate a consensus on the way to secure a sustainable source of funding to support the essential government services that all Long Islanders enjoy.

Appendices

Appendix A: Project Methodology and Approach

In PFM's report for the Long Island 2035 Comprehensive Sustainability Plan (2035 Plan), the firm developed a significant amount of data and information, and created Excel models to manipulate it and to produce forecasts for property tax and governmental spending. The project team built on this information base and existing qualitative models to support this study.

PFM developed a detailed project plan for the execution of this engagement, which called for the study to be conducted in four phases:

Planning and Data Collection

This phase communicated project details; finalized a detailed project plan; organized, scheduled and conducted a project kickoff; and devised reporting and communications protocols. Additionally, the project team performed initial data collection and began benchmarking other local governments and regions.

Research and Model Development

Using the Long Island 2035 report as a starting point, the project team updated local government revenue data and projections. To help inform understanding of current tax burden and other challenges, the project team met with key members of the Long Island community, including local government administrators, organizational leaders and other stakeholders and subject matter experts. The team also began modeling alternative revenue scenarios, and followed up with stakeholders based on these revenue analysis and simulations.

High Level Findings

As the team worked to further develop revenue projection models, it also identified revenue opportunities taking into account the following key characteristics:

- Relationship to existing tax burden
- Impact on revenue capacity
- Impact on local economy
- Opportunities for local government efficiencies

With these options in mind, the project team developed high level findings, which were then communicated with the Council for review and feedback. The Council's recommendations and comments were then taking into consideration as the team transitioned to the Final Results and Recommendations phase.

Presentation of Final Results and Recommendations

In the final phase of the project, the team developed and communicated a detailed outline for a draft report and worked to finalize projection models. Subsequent research and analysis, primarily related to federal tax and budget issues, was undertaken in February and March 2018, and a final report was issued in April 2018.

Appendix B: Long Island Local Governments Total Revenues by Source, 2009-2035 (millions)

Revenues	2009	2010	2011	2012	2013	2014	2015	2016	2017
Real Property Taxes and Assessments	$10,259	$10,498	$10,651	$11,004	$11,268	$11,574	$11,604	$11,836	$12,073
Other Real Property Tax Items	$862	$878	$1,003	$1,024	$1,063	$1,082	$1,071	$1,111	$1,152
State Aid	$3,527	$3,168	$3,158	$3,204	$3,307	$3,411	$3,510	$3,583	$3,658
Sales and Use Tax	$2,085	$2,202	$2,277	$2,356	$2,511	$2,485	$2,511	$2,590	$2,672
Charges for Services	$1,029	$1,010	$1,070	$1,121	$1,194	$1,195	$1,168	$1,192	$1,218
Federal Aid	$838	$1,341	$1,183	$1,174	$1,071	$975	$1,012	$1,036	$1,059
Other Local Revenue	$683	$698	$674	$683	$743	$675	$630	$645	$660
Use and Sale of Property	$336	$299	$272	$309	$342	$354	$353	$361	$370
Other Non-Property Taxes	$118	$147	$130	$130	$151	$193	$184	$188	$193
Charges to Other Governments	$145	$157	$126	$149	$161	$132	$125	$128	$131
Total Revenues	**$19,883**	**$20,398**	**$20,543**	**$21,155**	**$21,810**	**$22,076**	**$22,170**	**$22,672**	**$23,185**

Revenues	2018	2019	2020	2021	2022	2023	2024	2025	2026
Real Property Taxes and Assessments	$12,315	$12,561	$12,812	$13,068	$13,330	$13,596	$13,868	$14,146	$14,429
Other Real Property Tax Items	$1,194	$1,238	$1,284	$1,331	$1,380	$1,431	$1,483	$1,538	$1,595
State Aid	$3,734	$3,812	$3,891	$3,972	$4,054	$4,139	$4,225	$4,313	$4,402
Sales and Use Tax	$2,756	$2,843	$2,933	$3,025	$3,120	$3,219	$3,320	$3,425	$3,532
Charges for Services	$1,244	$1,270	$1,297	$1,325	$1,353	$1,382	$1,412	$1,442	$1,473
Federal Aid	$1,084	$1,109	$1,134	$1,160	$1,187	$1,214	$1,242	$1,271	$1,300
Other Local Revenue	$675	$691	$706	$723	$739	$756	$774	$791	$810
Use and Sale of Property	$378	$387	$396	$405	$414	$424	$433	$443	$454
Other Non-Property Taxes	$197	$202	$206	$211	$216	$221	$226	$231	$236
Charges to Other Governments	$134	$137	$140	$144	$147	$150	$154	$157	$161
Total Revenues	**$23,711**	**$24,249**	**$24,800**	**$25,364**	**$25,941**	**$26,532**	**$27,137**	**$27,757**	**$28,391**

Revenues	2027	2028	2029	2030	2031	2032	2033	2034	2035
Real Property Taxes and Assessments	$14,717	$15,011	$15,312	$15,618	$15,930	$16,249	$16,574	$16,905	$17,243
Other Real Property Tax Items	$1,653	$1,714	$1,777	$1,843	$1,911	$1,981	$2,054	$2,130	$2,208
State Aid	$4,494	$4,587	$4,683	$4,780	$4,880	$4,981	$5,085	$5,191	$5,299
Sales and Use Tax	$3,644	$3,758	$3,877	$3,999	$4,125	$4,255	$4,389	$4,527	$4,670
Charges for Services	$1,504	$1,536	$1,569	$1,602	$1,636	$1,671	$1,707	$1,743	$1,780
Federal Aid	$1,330	$1,360	$1,392	$1,424	$1,456	$1,490	$1,524	$1,559	$1,595
Other Local Revenue	$828	$847	$867	$887	$907	$928	$949	$971	$994
Use and Sale of Property	$464	$475	$486	$497	$508	$520	$532	$544	$557
Other Non-Property Taxes	$242	$247	$253	$259	$265	$271	$277	$284	$290
Charges to Other Governments	$165	$168	$172	$176	$180	$184	$189	$193	$197
Total Revenues	**$29,041**	**$29,706**	**$30,387**	**$31,085**	**$31,799**	**$32,531**	**$33,280**	**$34,047**	**$34,833**

Note: In the table above, Sales and Use Tax totals are inclusive of the amounts distributed to towns, cities, villages and school districts.

Appendix C: Long Island Local Governments Property Tax Revenue Distributions by Government Type, 2009-2035 (millions)

Local Government Type	2009	2010	2011	2012	2013	2014	2015	2016	2017
County	$1,533	$1,570	$1,578	$1,595	$1,634	$1,639	$1,715	$1,751	$1,787
Town	$1,285	$1,302	$1,317	$1,328	$1,354	$1,390	$1,189	$1,213	$1,237
City	$55	$56	$59	$59	$63	$64	$64	$65	$67
Village	$504	$516	$535	$555	$572	$592	$599	$611	$623
School District	$7,119	$7,307	$7,527	$7,834	$8,037	$8,279	$8,414	$8,598	$8,786
Fire District	$299	$302	$307	$312	$320	$326	$333	$339	$346
Library	$268	$262	$267	$279	$284	$297	$295	$301	$307
Special Purpose District	$61	$61	$65	$65	$67	$68	$69	$70	$72
Total Property Tax Revenue	**$11,121**	**$11,376**	**$11,654**	**$12,028**	**$12,331**	**$12,656**	**$12,676**	**$12,947**	**$13,225**

Local Government Type	2018	2019	2020	2021	2022	2023	2024	2025	2026
County	$1,825	$1,864	$1,903	$1,943	$1,984	$2,026	$2,069	$2,113	$2,158
Town	$1,262	$1,288	$1,314	$1,341	$1,368	$1,396	$1,424	$1,453	$1,482
City	$68	$69	$71	$72	$74	$75	$77	$78	$80
Village	$636	$649	$662	$676	$690	$704	$719	$733	$748
School District	$8,978	$9,175	$9,376	$9,583	$9,794	$10,009	$10,230	$10,456	$10,688
Fire District	$353	$360	$368	$375	$383	$390	$398	$406	$414
Library	$313	$319	$326	$332	$339	$346	$353	$360	$367
Special Purpose District	$73	$75	$76	$78	$79	$81	$82	$84	$86
Total Property Tax Revenue	**$13,509**	**$13,799**	**$14,096**	**$14,399**	**$14,710**	**$15,027**	**$15,352**	**$15,684**	**$16,023**

Local Government Type	2027	2028	2029	2030	2031	2032	2033	2034	2035
County	$2,203	$2,250	$2,298	$2,347	$2,397	$2,448	$2,500	$2,554	$2,608
Town	$1,512	$1,543	$1,574	$1,606	$1,639	$1,672	$1,706	$1,741	$1,776
City	$82	$83	$85	$87	$88	$90	$92	$94	$96
Village	$764	$779	$795	$812	$829	$846	$863	$881	$899
School District	$10,925	$11,167	$11,415	$11,669	$11,930	$12,196	$12,469	$12,748	$13,033
Fire District	$423	$431	$440	$449	$458	$467	$477	$487	$496
Library	$374	$382	$390	$397	$406	$414	$422	$431	$439
Special Purpose District	$88	$89	$91	$93	$95	$97	$99	$101	$103
Total Property Tax Revenue	**$16,371**	**$16,726**	**$17,089**	**$17,461**	**$17,841**	**$18,230**	**$18,628**	**$19,035**	**$19,451**

Appendix D: New York State Sales Tax Rates

County or Other Locality	State	Local	MCT District	Total Tax Rate
New York City*	4.000%	4.500%	0.375%	**8.875%**
Yonkers (city)	4.000%	4.500%	0.375%	**8.875%**
Erie	4.000%	4.750%	0.000%	**8.750%**
Oneida	4.000%	4.750%	0.000%	**8.750%**
Nassau	**4.000%**	**4.250%**	**0.375%**	**8.625%**
Suffolk	**4.000%**	**4.250%**	**0.375%**	**8.625%**
Allegany	4.000%	4.500%	0.000%	**8.500%**
Manhattan	4.000%	4.000%	0.375%	**8.375%**
Putnam	4.000%	4.000%	0.375%	**8.375%**
Rockland	4.000%	4.000%	0.375%	**8.375%**
Staten Island	4.000%	4.000%	0.375%	**8.375%**
Mount Vernon (city)	4.000%	4.000%	0.375%	**8.375%**
New Rochelle (city)	4.000%	4.000%	0.375%	**8.375%**
White Plains (city)	4.000%	4.000%	0.375%	**8.375%**
Herkimer	4.000%	4.250%	0.000%	**8.250%**
Dutchess	4.000%	3.750%	0.375%	**8.125%**
Orange	4.000%	3.750%	0.375%	**8.125%**
Albany	4.000%	4.000%	0.000%	**8.000%**
Broome	4.000%	4.000%	0.000%	**8.000%**
Cattaraugus	4.000%	4.000%	0.000%	**8.000%**
Cayuga	4.000%	4.000%	0.000%	**8.000%**
Chautauqua	4.000%	4.000%	0.000%	**8.000%**
Chemung	4.000%	4.000%	0.000%	**8.000%**
Chenango	4.000%	4.000%	0.000%	**8.000%**
Clinton	4.000%	4.000%	0.000%	**8.000%**
Columbia	4.000%	4.000%	0.000%	**8.000%**
Cortland	4.000%	4.000%	0.000%	**8.000%**
Delaware	4.000%	4.000%	0.000%	**8.000%**
Essex	4.000%	4.000%	0.000%	**8.000%**
Franklin	4.000%	4.000%	0.000%	**8.000%**
Fulton	4.000%	4.000%	0.000%	**8.000%**
Genesee	4.000%	4.000%	0.000%	**8.000%**

County or Other Locality	State	Local	MCT District	Total Tax Rate
Greene	4.000%	4.000%	0.000%	**8.000%**
Hamilton	4.000%	4.000%	0.000%	**8.000%**
Jefferson	4.000%	4.000%	0.000%	**8.000%**
Lewis	4.000%	4.000%	0.000%	**8.000%**
Livingston	4.000%	4.000%	0.000%	**8.000%**
Madison	4.000%	4.000%	0.000%	**8.000%**
Monroe	4.000%	4.000%	0.000%	**8.000%**
Montgomery	4.000%	4.000%	0.000%	**8.000%**
Niagara	4.000%	4.000%	0.000%	**8.000%**
Onondaga	4.000%	4.000%	0.000%	**8.000%**
Orleans	4.000%	4.000%	0.000%	**8.000%**
Oswego	4.000%	4.000%	0.000%	**8.000%**
Otsego	4.000%	4.000%	0.000%	**8.000%**
Rensselaer	4.000%	4.000%	0.000%	**8.000%**
St. Lawrence	4.000%	4.000%	0.000%	**8.000%**
Schenectady	4.000%	4.000%	0.000%	**8.000%**
Schoharie	4.000%	4.000%	0.000%	**8.000%**
Schuyler	4.000%	4.000%	0.000%	**8.000%**
Seneca	4.000%	4.000%	0.000%	**8.000%**
Steuben	4.000%	4.000%	0.000%	**8.000%**
Sullivan	4.000%	4.000%	0.000%	**8.000%**
Tioga	4.000%	4.000%	0.000%	**8.000%**
Tompkins	4.000%	4.000%	0.000%	**8.000%**
Ulster	4.000%	4.000%	0.000%	**8.000%**
Wayne	4.000%	4.000%	0.000%	**8.000%**
Wyoming	4.000%	4.000%	0.000%	**8.000%**
Yates	4.000%	4.000%	0.000%	**8.000%**
Ontario	4.000%	3.500%	0.000%	**7.500%**
Westchester	4.000%	3.000%	0.375%	**7.375%**
Saratoga	4.000%	3.000%	0.000%	**7.000%**
Warren	4.000%	3.000%	0.000%	**7.000%**
Washington	4.000%	3.000%	0.000%	**7.000%**

Source: NYS Department of Taxation and Finance Sales and Use Tax Rates by Jurisdiction (Effective December 1, 2015)

* Includes Bronx (Bronx), Kings (Brooklyn), New York (Manhattan), Queens (Queens) and Richmond (Staten Island).

Appendix E: Circuit Breaker Calculation Methodology

Using data from the IRS, specifically **Table 15: Federal Return Data, 2014**, the project team identified the total number of Federal returns from Long Island residents in 2014. The team also determined the number of returns that used itemized deductions, and of those, the amount of real estate taxes deducted. While the percentage of itemized returns increases with income, it is reasonable to assume that some property tax payers took the standard deduction and therefore are not included in this sample. As a result, the cost of the circuit breaker program is likely to be slightly understated.

Using these data, which are organized by Adjusted Gross Income (AGI) cohorts, the project team isolated the number of returns that claimed an itemized deduction for real estate taxes and, using pro-ration, computed the average amount of property tax deducted as a percentage of income. The team then constructed a prototype progressive circuit-breaker threshold, using arbitrary percentages for illustration, and computed the reduction required to reduce the amounts deducted to the threshold limit.

While the percentage of itemized returns increases with income, it is reasonable to assume that some property tax payers took the standard deduction and therefore are not included in this sample. As a result, the cost of the circuit breaker program is likely to be slightly understated.

For the purpose of this illustration, tax liability is assumed to equal cash for costing purposes.

Appendix F: Peer Government Comparison Detail

Appendix F1 – Case Study: San Mateo County, California

Summary of Key Takeaways

- San Mateo County has successfully implemented a series of voter-approved sales tax increases to help fund vital services – Long Island may benefit from adopting similar strategies.
- Additionally, Long Island may explore implementing the property tax relief options utilized by San Mateo County, particularly those related to attracting first-time homebuyers.

County Fast Facts	San Mateo	Nassau	Suffolk
Economic Indicators			
Median Household Income	$93,623	$99,465	$88,663
Individual Poverty Level	8.0%	6.2%	7.0%
% of Population w/ BA or Higher	45.6%	42.8%	34.0%
Unemployment Rate	6.7%	6.4%	6.4%
Geographic and Demographic Indicators			
Population (2015)	748,731	1,354,612	1,501,373
Population Change Since 2010	6.3%	1.9%	1.3%
Land Area (sq. miles)	448	285	912
Population Density (per sq. mile)	1,670	4,758	1,646
Median Resident Age (2015)	39.5	41.3	40.6
Housing and Mortgage Characteristics			
Median Home Value	$776,300	$446,400	$375,100
Total Housing Units	272,838	467,256	570,194
Median RE Taxes	$6,170	$10,000+	$8,676
Median Owner Costs as % of HHI	26.9%	28.6%	28.8%
Local Government Structure			
County Governments	1	1	1
Municipal Governments	20	66	33
Town/Township Governments	0	3	10
Special Districts	48	80	129
Independent School Districts	24	56	68
Total Local Governments	**93**	**206**	**241**

County Profile[83]

San Mateo County, one of nine counties in the San Francisco Bay Area, was established in 1856. The County occupies approximately 450 square miles and contains 20 cities on a peninsula bounded by the City and County of San Francisco to the north, Santa Clara County to the south, San Francisco Bay to the east and the Pacific Ocean to the west. Most of the County's residents live in the suburban corridor east of the Santa Cruz Mountains, which bisect the County. The western part of the County remains primarily rural.

The County provides social services, public health protection, housing programs, property tax assessments, tax collection, elections and public safety services to its residents; it also provides basic city-type services for residents who do not live within a city but live in an unincorporated area.

Included in the County's operations are various "blended" component units which provide specific services countywide or to distinct areas within the County:

- The San Mateo County Joint Powers Financing Authority
- The San Mateo County Housing Authority
- In-Home Supportive Services Public Authority

[83] San Mateo County CAFR (2016)

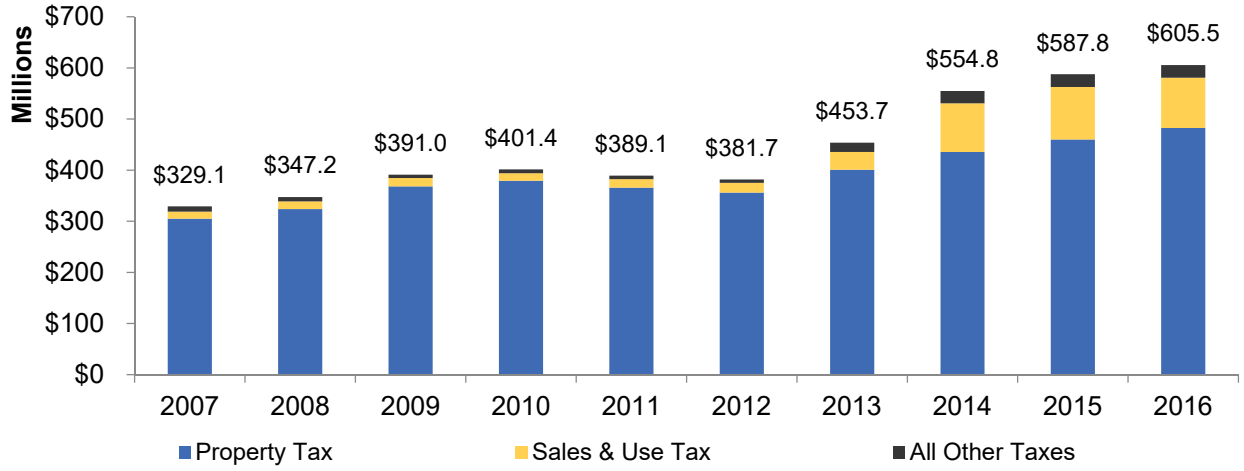
- Numerous special districts including County Service Areas, Sewer and Sanitation, Flood Control and Lighting

County Revenue Structure

As shown in the following figure, property taxes are by far the largest revenue source in San Mateo County. Total governmental fund tax revenues have increased modestly over the past 10 years, growing by an average of 7.0 percent annually in the aggregate. While property taxes have increased by approximately 5.2 percent annually, sales and use taxes have grown by an impressive near-25 percent annually, and all other taxes have seen growth of more than 10 percent per year during the same time period.

Total tax collections remained stable during the Great Recession, primarily due to the performance of property tax revenues, which increased 13.7 percent in 2009 and 3.0 percent in 2010. However, the County's post-recession performance stagnated, as property taxes decreased by 3.5 percent in 2011 and 2.6 percent in 2012. Since that time, however, performance has improved, and total revenues have seen annual increases of 18.8, 22.3, 6.0 and 3.0 percent over the past four years.

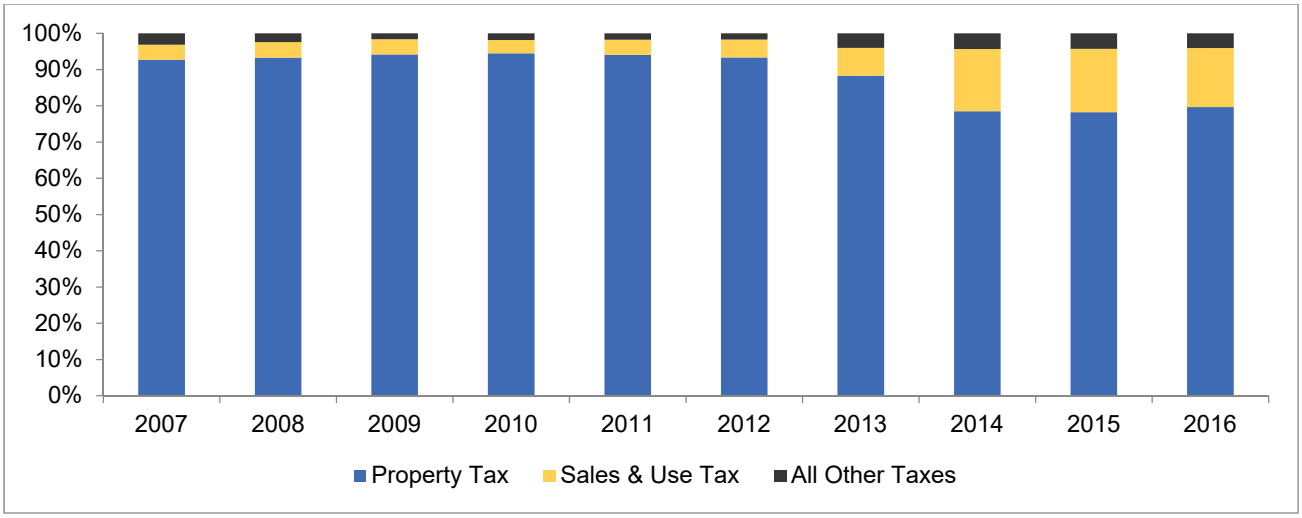
Figure 30: San Mateo County Governmental Fund Tax Revenues by Source, Last 10 Fiscal Years



Source: San Mateo County CAFR, 2016

As shown in the following figure, San Mateo County has experienced a diversification in tax revenues in recent years. Between 2007 and 2012, property tax accounted for between 92.7 percent (2007) and 94.5 percent (2010) of all governmental revenues, with sales tax accounting for less than 5 percent in each year. However, in 2013, a small decrease in reliance on property taxes occurred, with the source accounting for 88.3 percent of the total. This trend continued, with property tax declining to a share of under 80 percent for the past three fiscal years, while sales and use taxes have accounted for 17.2, 17.5 and 16.3 percent of all tax revenues during the same time period.

Figure 31: San Mateo County Governmental Fund Revenue Sources by % of Total, Last 10 Fiscal Years



Source: San Mateo County CAFR, 2016

The sharp increase in sales and use tax revenue is predominantly derived from the passage (with 65.4 percent approval) of Measure A, which increased the County's sales tax by half a cent (to 9.0 percent) between April 1, 2013 and March 31, 2023. In November 2016, residents voted (with 70.4 percent approval) to extend the provision through March 31, 2043. The additional half cent is used to support vital program and services such as:

- Providing affordable housing to seniors, people with disabilities, veterans and families;
- Developing other long-term solutions to the affordable housing crisis;
- Maintaining transit services for the elderly and people with disabilities;
- Combatting human trafficking;
- Maintaining emergency operations and 911 police, fire, and paramedic dispatch;
- Maintaining child abuse protection programs;
- Maintaining healthcare for low-income children, seniors, and people with disabilities;
- Maintaining fire and emergency medical/paramedic response;
- Maintaining preschool, afterschool, and library programs for children and teens;
- Addressing the effects of sea level rise;
- Keeping County parks open;
- Maintaining countywide gang and drug task forces; and
- Providing neighborhood health clinics.

In addition, voters approved a half cent sales tax increase for transportation in 1988 and reauthorized the provision in 2004. These revenues, which fund vital transportation improvement, are held in the County Half-Cent Transportation Fund, which is restricted for transportation programs sponsored by County departments and outside agencies.

The increase in Other Taxes is due primarily to significant increases in Property Transfer Tax and other taxes. The transfer tax is levied at the rate of $0.55 per $500, equating to $1.10 for every thousand dollars of value. Additionally, in June 2012, with voters' approval, the County adopted an ordinance to levy a business license tax on operators of vehicle rental businesses in the unincorporated area of the County. The Vehicle Rental Business License Tax was imposed at a rate of 2.5 percent on the gross receipts of vehicle rental businesses

in the unincorporated areas effective July 1, 2012.[84] This revenue diversification is beneficial to the County, as it mitigates the risk of losing any single source of funding in the event of an economic downturn.

Property Taxes and Housing Affordability

As discussed above, property tax revenues are San Mateo County's largest source of general fund revenues and are shared by all local taxing agencies. For FY2017, the Total Property Assessment Roll Value for the County is $191 billion, $13.5 billion (7.6 percent) higher than the prior year, providing a local property tax revenue base of $1.91 billion.

The California Association of Realtors' Traditional Housing Affordability Index measures the percentage of households that can afford to purchase a median priced home. In June 2016, the index for the Bay Area was 23 and for the County was 14, while the U.S. index was 57 and the State's was 31.

As shown in the following table, local special districts, schools and cities separately impose property taxes on homeowners in San Mateo County. These overlapping rates are in addition to the County rate, but only apply to taxpayers within the borders of the local special districts, schools and cities that lie within the County.

Table 17: San Mateo County Direct and Overlapping Property Tax Rates, Last 10 Fiscal Years (rate per $100 of assessed value)

	Direct Rate	Overlapping Rates			
Fiscal Year	County General	Local Special Districts	Schools	Cities	Total
2007	1.0000	0.0011	0.0760	0.0053	**1.0824**
2008	1.0000	0.0010	0.0836	0.0050	**1.0896**
2009	1.0000	0.0010	0.0896	0.0047	**1.0953**
2010	1.0000	0.0010	0.0950	0.0043	**1.1003**
2011	1.0000	0.0010	0.1037	0.0042	**1.1089**
2012	1.0000	0.0009	0.1057	0.0042	**1.1108**
2013	1.0000	0.0009	0.1057	0.0042	**1.1108**
2014	1.0000	0.0009	0.1100	0.0039	**1.1148**
2015	1.0000	0.0008	0.1234	0.0037	**1.1279**
2016	1.0000	0.0011	0.1284	0.0032	**1.1327**

Source: San Mateo County CAFR, 2016

Property Tax Assistance

The California Constitution provides for the exemption of $7,000 (maximum) in assessed value from the property tax assessment of any property owned and occupied as the owner's principal place of residence. The exemption reduces the annual property tax bill for a qualified homeowner by up to $70.

Additionally, the State's Housing Finance Agency (CalHFA) partners with local counties, including San Mateo, to ensure all qualified Californians have access to a Mortgage Credit Certificate (MCC) program. The MCC Tax Credit is a federal credit which can reduce potential federal income tax liability, creating additional net

[84] San Mateo County CAFR, 2016

spendable income which borrowers may use toward their monthly mortgage payment. The MCC tax credit program may enable first-time homebuyers to convert a portion of their annual mortgage interest into a direct dollar-for-dollar tax credit on their U.S. individual income tax returns.[85]

Proposition 8, the "Decline in Value Assessment Program," allows for a temporary reduction in assessed value when the market value of a home is a lesser value than the factored base year value (typically the purchase price adjusted annually for inflation, not to exceed two percent per year).[86]

The following table provides a summary of the residential decline in property value for FY2017. Countywide, the program will provide approximately $2.9 million in property tax relief to nearly 2,900 homeowners, an average of $988.86 per homeowner taking part in the program.

Table 18: San Mateo County Residential Decline in Property Value Summary, FY2017

City	Total Residential Parcels	Residential Prop 8 Parcels	% of Prop 8 Parcels	Average Change per Parcel	Change in Assessed Value by City	Estimated Change in Prop Taxes
Atherton	2,483	38	1.5%	$668,000	$25,400,000	$254,000
Belmont	7,152	4	0.1%	$50,000	$200,000	$2,000
Brisbane	1,526	103	6.7%	$67,000	$6,900,000	$69,000
Burlingame	7,015	7	0.1%	$100,000	$700,000	$7,000
Colma	275	10	3.6%	$120,000	$1,200,000	$12,000
Daly City	21,622	735	3.4%	$73,000	$53,900,000	$539,000
East Palo Alto	4,319	82	1.9%	$87,000	$7,100,000	$71,000
Foster City	8,693	11	0.1%	$0	$0	$0
Half Moon Bay	3,308	112	3.4%	$47,000	$5,300,000	$53,000
Hillsborough	3,888	63	1.6%	$449,000	$28,300,000	$283,000
Menlo Park	8,524	13	0.2%	$85,000	$1,100,000	$11,000
Millbrae	6,150	14	0.2%	$129,000	$1,800,000	$18,000
Pacifica	11,403	408	3.6%	$53,000	$21,500,000	$215,000
Portola Valley	1,499	13	0.9%	$285,000	$3,700,000	$37,000
Redwood City	16,727	27	0.2%	$56,000	$1,500,000	$15,000
San Bruno	11,482	274	2.4%	$80,000	$22,000,000	$220,000
San Carlos	9,652	5	0.1%	$140,000	($700,000)	($7,000)
San Mateo	25,081	122	0.5%	$76,000	$9,300,000	$93,000
S. San Fran.	15,559	522	3.4%	$83,000	$43,300,000	$433,000
Woodside	1,992	34	1.7%	$700,000	$23,800,000	$238,000
Unincorporated	16,735	277	1.7%	$101,000	$27,900,000	$279,000
Total	**185,085**	**2,874**	**1.6%**	**$99,329**	**$284,200,000**	**$2,842,000**

Source: San Mateo County Assessor-County Clerk-Recorder

[85] CalHFA MCC Program. Accessed electronically at: http://www.calhfa.ca.gov/homebuyer/programs/mcc.htm#counties
[86] San Mateo County Assessor, Recorder and Elections Office Property Tax Relief/Market Value Decline. Accessed electronically at: http://www.smcare.org/assessor/homeownerresources/declinevalue/

Key Considerations for Long Island

- San Mateo County has successfully implemented a series of voter-approved sales tax increases to help fund vital services – Long Island may benefit from adopting the same strategy.
- Nassau and Suffolk Counties both have sales tax rates of 4.25 percent, inclusive of the State-imposed Metropolitan Commuter Transportation District surcharge of 0.375 percent. According to the New York State Comptroller's 2015 report on Local Government Sales Taxes, Long Island sales tax revenue had only a 1.8 percent average annual increase for the 2004 to 2013 period, perhaps due in part to the region's sales tax revenues being especially weakened by the 2008-09 recession, as well as there being no rate increases by the Counties during this period. This was unlike some other regions that did have rate increases that helped to offset revenues lost as a result of the recession.[87]
- Long Island may benefit from exploring the feasibility of a local option sales tax increase to fund essential services and/or offset property tax costs for residents. Of course, this would need to be handled sensitively, as sales tax increases are typically seen as regressive.
- Additionally, Long Island may explore implementing the property tax relief options utilized by San Mateo County, particularly those related to attracting first-time homebuyers. Of course, many programs would need to be implemented at the State level, but local governments on Long Island may help to build a case for the benefits provided by the programs described.

[87] New York State Comptroller Division of Local Government and School Accountability – Local Government Sales Taxes in New York State: 2015 Update.

Appendix F2 – Case Study: Bergen County, New Jersey

Summary of Key Takeaways

- *Benefitting from the strength of the New York economy, the County's property tax appeals – and resulting loss of assessed value – have declined significantly since 2013.*
- *The State of New Jersey's property taxes are some of the highest in the country – but the State has adjusted the "three-legged stool" of taxation by limiting local government ability to tax.*

County Fast Facts	Bergen	Nassau	Suffolk
Economic Indicators			
Median Household Income	$85,806	$99,465	$88,663
Individual Poverty Level	7.4%	6.2%	7.0%
% of Population w/ BA or Higher	46.9%	42.8%	34.0%
Unemployment Rate	6.5%	6.4%	6.4%
Geographic and Demographic Indicators			
Population (2015)	926,330	1,354,612	1,501,373
Population Change Since 2010	3.3%	1.9%	1.3%
Land Area (sq. miles)	233	285	912
Population Density (per sq. mile)	3,975	4,758	1,646
Median Resident Age (2015)	41.5	41.3	40.6
Housing and Mortgage Characteristics			
Median Home Value	$441,100	$446,400	$375,100
Total Housing Units	353,978	467,256	570,194
Median RE Taxes	$9,889	$10,000+	$8,676
Median Owner Costs as % of HHI	27.8%	28.6%	28.8%
Local Government Structure			
County Governments	1	1	1
Municipal Governments	61	66	33
Town/Township Governments	9	3	10
Special Districts	2	80	129
Independent School Districts	72	56	68
Total Local Governments	**145**	**206**	**241**

County Profile[88]

Bergen County, the most populous county in New Jersey, is part of the New York Metropolitan Area. The County occupies approximately 230 square miles and is home to 70 cities, towns and townships – all with populations under 50,000.[89] Hackensack, the County seat, had a population of approximately 44,000 as of 2015. The County is bordered by Rockland County (NY) to the north, the Hudson River to the east, Hudson County (NJ) to the south and Passaic County (NJ) to the west.

Although Bergen County comprises only three percent of the state's total land area, the County leads all other New Jersey counties in having the largest number of workers and private sector jobs and the highest per capita income. Nearly 40 percent of the area's employed residents work outside of the County – many in New York City.[90]

Operating under a County Executive form of government since 1986, the executive oversees the County's business while the seven-member Board of Chosen Freeholders fulfills a legislative and oversight role.
In addition to the various municipalities and school districts, the following entities exist within the County to provide certain governmental services:

- The Bergen County Utilities Authority
- The Northwest Bergen Utilities Authority

[88] Bergen County History. Accessed electronically at: http://www.co.bergen.nj.us/DocumentCenter/View/2525
[89] New Jersey has no unincorporated areas, independent cities or consolidated city-counties.
[90] Bergen County Official Statement.

- The Bergen County Improvement Authority

County Revenue Structure

There is no local income tax in New Jersey, and the State does not allow the imposition of local sales tax. As a result, counties primarily depend upon property taxes as a source of funding – in Bergen County, more than 70.0 percent of all revenues collected are property taxes. While property tax revenue was flat in 2014, budgets for the two most recent fiscal years have projected increases at 4.3 percent in 2015 and 4.7 percent in 2016.

While property taxes are the most significant source of County funding, additional revenues are generated through other tax revenues – primarily in the form of hotel occupancy fees. While accounting for a small portion of overall revenues, increases in tourism and business travel have helped to boost hotel occupancy fee revenue in recent years (located within the 'Miscellaneous Local Revenues' category in the following table).

Table 19: Bergen County Revenue Budget, 2012-2016 ($ millions)

Revenues	2012	2013	2014	2015	2016
State and Federal Grant Programs	$16.7	$12.3	$15.8	$15.4	$13.2
State Revenues - Social and Welfare Services	$38.4	$40.2	$40.5	$43.6	$43.4
Miscellaneous Local Revenues	$34.8	$35.1	$36.4	$36.3	$37.3
State Aid	$1.7	$1.9	$2.1	$2.4	$2.4
Other Special Items	$18.5	$19.8	$24.1	$27.2	$22.5
County Purpose Tax	$358.5	$371.0	$371.0	$387.0	$405.0
Total Revenues	**$468.7**	**$480.4**	**$489.8**	**$511.9**	**$523.9**

Source: Bergen County Official Statement, December 7, 2016

Property Taxes and Housing Affordability

Among the 50 states, New Jersey has the highest property taxes in the nation. In addition to having the steepest statewide average tax bill in 2016 ($8,549), it also had the highest effective tax rate (2.31 percent).[91] Among New Jersey's 21 counties, Bergen County ranks second in average total property taxes ($11,311), second only to Essex County ($11,550), also a suburban county of New York City.

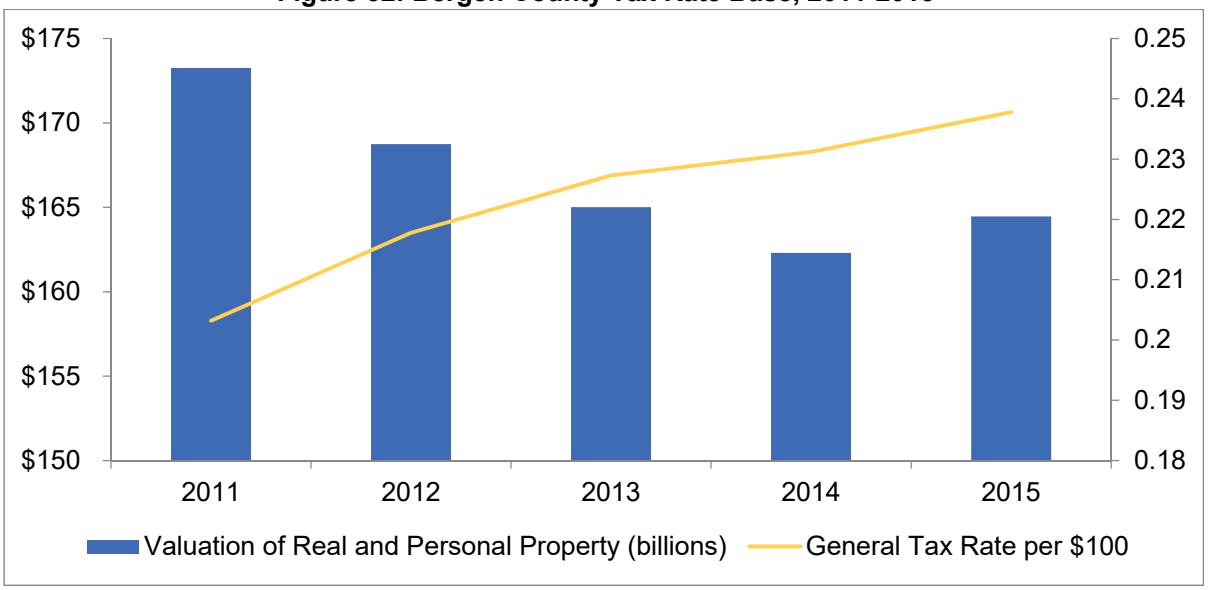
Within the State, municipalities are responsible for levying, collecting and remitting county taxes for the County. Counties are prohibited from increasing their tax levies by more than the lesser of 2.5 percent or the increase in appropriations up to 3.5 percent over the prior year's appropriation. Additionally, since April 2007, the State has imposed a cap of 4.0 percent on the tax levy of a municipality, county, fire district or solid waste collection district (with certain exemptions and subject to a number of adjustments). That law was amended in July 2010 to limit the tax levy increases for local units to 2.0 percent (with exceptions).

Within Bergen County, the average total levy in 2016 (including county, school and municipal property taxes) was 2.514 mills (the median was 2.602). Total tax rates range from 0.768 mills in Alpine Borough to 3.832 mills in Wood-Ridge Borough. On average, 56.7 percent of the total levy was appropriated for schools, 31.5 percent supported municipalities and 11.8 percent was for County support.

[91] RealtyTrac U.S. Property Taxes Levied on Single Family Homes in 2016 Total More than $277 Billion. Accessed electronically at: http://www.realtytrac.com/news/realtytrac-reports/2016-property-tax-analysis/

Overall, the valuation of real and personal property in Bergen County decreased by an average of 2.2 percent annually between 2011 and 2014 before increasing in 2015 by 1.3 percent. During the same time period, the general tax rate increased by an average of 4.0 percent annually, as shown in the following figure.

Figure 32: Bergen County Tax Rate Base, 2011-2015



Source: Bergen County Official Statement, December 7, 2016

Property Tax Assistance

While not a Mortgage Credit Certificate (MCC)[92] state, New Jersey does offer several programs designed to make ownership more affordable. Since 1976 (in conjunction with the enactment of an income tax), the State has provided a homestead benefit program and property tax deduction/credit.
In order to be eligible for the Homestead Benefit, applicants must:

- Be a New Jersey resident;
- Own and occupy a home in New Jersey that was the primary residence on October 1 of the application year; and
- Not have income more than $150,000 for homeowners 65 or older or blind and disabled or $75,000 for homeowners under 65 and not blind or disabled.

The actual amount of the credit depends on gross income, filing status, whether the owner is elderly or disabled, and the amount of property taxes paid in 2006, since it has not been updated since that year. Due to budget constraints, homestead benefits payments have been and continue to be deferred; credits for 2014 appeared on May 2017 tax bills (typically there is a one year lag between the tax year and payment for that year).

[92] A Mortgage Credit Certificate is a certificate issued by a certain state or local government that allows a taxpayer to claim a tax credit for some portion of the mortgage interest paid during a given tax year.

Additionally, New Jersey's property tax deduction/credit program reduces taxable income on State income tax returns for renters[93] and homeowners earning more than $20,000 annually. Eligible participants may deduct up to 100 percent of property taxes paid or $10,000, whichever is less.[94]

Finally, the State also offers 5-year property tax abatements and exemptions. These tools are available to qualified property owners where the municipality has adopted an authorizing ordinance. Under the 5-Year Abatement and Exemption Law, an ordinance may provide for abatement and/or exemption for new construction of dwellings, conversion or conversion alteration into dwelling use, and improvement to an existing dwelling.

At the County level, property tax deductions are offered for veterans and the elderly. Bergen County does not offer general property tax assistance programs, but it does offer a process for appealing the assessment value of one's home. The following table details the number of appeals over the past 11 years, along with the impact on assessed value. The number of appeals increased annually between 2005 and 2013. Interestingly, while 2013 saw the highest number of appeals, the average loss of assessed value per appeal was the lowest in that year – indicating that homeowners of various means were concerned about their home values as the country began to recover from the Great Recession. Total appeals have decreased significantly (65 percent) since peaking in 2013. This could be an indication that homeowners are less concerned about the value of their homes and – by extension, the condition of the overall economy – as the market continues to recover and values continue to appreciate. The County benefits from the strength of the New York economy.

Table 20: Bergen County Tax Appeal Statistics, 2005-2015

Fiscal Year	# of Appeals	Loss of Assessed Value	Avg. Loss of Assessed Value/Appeal
2005	2,325	$108,266,080	$46,566
2006	2,594	$135,982,035	$52,422
2007	3,389	$450,698,483	$132,989
2008	4,127	$299,607,688	$72,597
2009	7,242	$419,264,007	$57,893
2010	9,004	$584,507,287	$64,916
2011	9,698	$546,032,800	$56,304
2012	12,176	$538,160,900	$44,198
2013	12,185	$329,458,227	$27,038
2014	6,679	$338,058,776	$50,615
2015	4,242	$251,455,546	$59,278

Source: Bergen County Board of Taxation

Key Considerations for Long Island

- Benefitting from the strength of the New York economy, the County's property tax appeals – and resulting loss of assessed value – have declined significantly since 2013.
- The State of New Jersey's property taxes are some of the highest in the country – but the State has adjusted the three-legged stool of taxation by limiting local government ability to tax.

[93] For renters, 18 percent of rent paid during the year is considered property tax paid.
[94] NJ Department of the Treasury. NJ Income Tax – Property Tax Deduction/Credit for Homeowners and Tenants. Accessed electronically at: http://www.state.nj.us/treasury/taxation/njit35.shtml

Appendix F3 – Case Study: Middlesex County, Massachusetts

Summary of Key Takeaways

- Cities within the County depend upon excise taxes to supplement property taxes.
- Property tax relief is largely provided at the local level.

County Fast Facts	Middlesex	Nassau	Suffolk
Economic Indicators			
Median Household Income	$85,118	$99,465	$88,663
Individual Poverty Level	8.3%	6.2%	7.0%
% of Population w/ BA or Higher	52.0%	42.8%	34.0%
Unemployment Rate	6.1%	6.4%	6.4%
Geographic and Demographic Indicators			
Population (2015)	1,556,116	1,354,612	1,501,373
Population Change Since 2010	5.2%	1.9%	1.3%
Land Area (sq. miles)	818	285	912
Population Density (per sq. mile)	1,903	4,758	1,646
Median Resident Age (2015)	38.5	41.3	40.6
Housing and Mortgage Characteristics			
Median Home Value	$414,600	$446,400	$375,100
Total Housing Units	617,089	467,256	570,194
Median RE Taxes	$4,990	$10,000+	$8,676
Median Owner Costs as % of HHI	23.4%	28.6%	28.8%
Local Government Structure			
County Governments	0	1	1
Municipal Governments	12	66	33
Town/Township Governments	42	3	10
Special Districts	61	80	129
Independent School Districts	13	56	68
Total Local Governments	**128**	**206**	**241**

County Profile

Middlesex County, Massachusetts, a suburban county of Boston, occupies just over 800 square miles and contains 60 cities, towns and townships. It is bounded by New Hampshire to the north, the Charles River to the east, Norfolk County to the south and Worcester County to the west.

Middlesex County government was abolished in 1997 and accordingly, there is no separate county budget. Local services are provided at the city, town and township level.[95] Services provided include police and fire protection; collection, recycling and disposal of solid waste; public education; water and sewer services; street maintenance; and parks and recreational facilities.
Due to this distinction, the following case study will focus on the three largest cities (by population) within the County:

- Lowell (109,349)
- Cambridge (107,916)
- Newton (87,675)

Local Revenue Structure

Property taxes account for 95.7 percent of all local own-source revenues in Massachusetts, as compared to 72.5 percent in New York State and 64.5 percent nationally.[96] Property tax levies in the Commonwealth are limited by Proposition 2 ½, an initiative petition approved by voters in 1980 that sets limits on real estate and

[95] Of 14 counties in the Commonwealth of Massachusetts, 9 county governments have been abolished.
[96] U.S. Census Bureau Annual Survey of State and Local Government Finances, 2014

personal property taxes. As a result, local governments in the Commonwealth have become increasingly reliant on distribution of revenues from the Commonwealth to support local programs and service.

City of Lowell

Total general fund revenues in the City of Lowell grew by approximately 2.5 percent annually between 2011 and 2014. While real estate and personal property taxes are a reliable source of funding for the City, comprising approximately one-third of all general fund revenues in each year, the City's primary source of funding is intergovernmental receipts, which account for roughly 60 percent of all revenues. When intergovernmental revenues are excluded from the general fund total, real estate and personal property taxes consistently account for more than 80 percent of all general fund revenues.

Under Massachusetts law, local governments may tax the provision of hotel, motel and lodging house and bed and breakfast rooms at a rate not to exceed 6.0 percent of the cost of renting the rooms. Lowell levies the full 6.0 percent tax as permitted.

Additionally, in May 2010, Lowell enacted a local meals excise tax on sales of restaurant meals; the tax is 0.75 percent on the gross receipts of a vendor. This tax generated more than $1.1 million for Lowell in 2016. Other sources of tax revenue include motor vehicle excise taxes ($25 per $1,000 of assessed value).

Table 21: City of Lowell General Fund Revenues, 2011-2014 ($ millions)

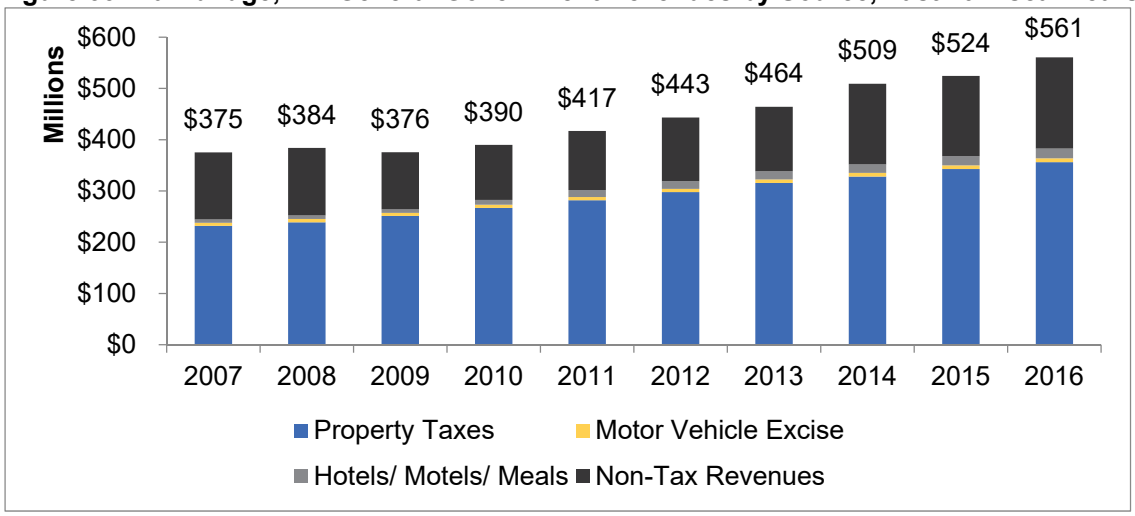
	2011	2012	2013	2014
Real Estate and Personal Property Taxes	$102.0	$106.1	$105.2	$107.2
Tax Liens	$2.5	$1.8	$1.7	$2.2
Motor Vehicle and Other Excise Taxes	$7.4	$7.6	$6.2	$8.4
Trash Disposal	$3.0	$3.1	$3.1	$3.2
Penalties and Interest on Taxes	$1.4	$1.6	$2.1	$1.6
PILOTs	$1.0	$0.9	$0.8	$0.9
Departmental and Other Contributions	$7.3	$7.9	$9.1	$7.1
Investment Income	$0.3	$0.4	$0.3	$0.4
Intergovernmental Receipts	$179.3	$186.8	$192.2	$196.6
Total Revenues	**$304.3**	**$316.3**	**$320.8**	**$327.6**

Source: City of Lowell Official Statement

City of Cambridge

The City of Cambridge's total general government revenues have increased at a rate of approximately 4.6 percent annually for the past ten fiscal years. While the primary source of revenue is the property tax, non-tax revenues also play a significant role in funding governmental operations, as shown in the following figure.

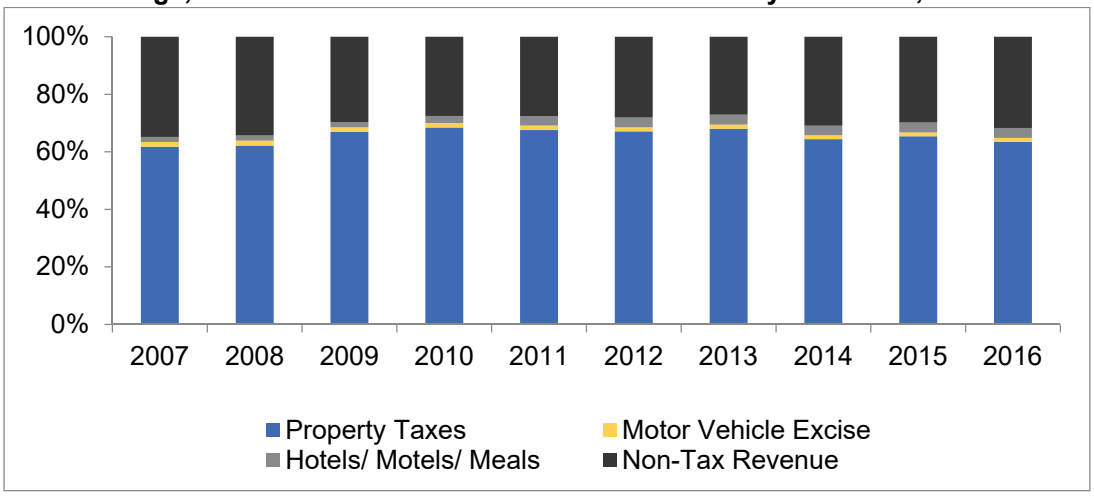
Figure 33: Cambridge, MA General Government Revenues by Source, Last 10 Fiscal Years



Source: Cambridge CAFR, 2016

As shown in the following figure, the percentage of total revenues by source has remained relatively stable in over the past ten years, with property taxes accounting for between 61.8 percent (2007) and 68.5 percent (2010).

Figure 34: Cambridge, MA General Government Revenue Sources by % of Total, Last 10 Fiscal Years



Source: Cambridge, MA CAFR, 2016

Similar to Lowell, Cambridge levies a meals tax (though it is rolled into the hotel/motel category for reporting purposes) and also levies its hotel/motel tax at the full 6.0 percent permitted by state law. Finally, the City also charges an excise tax on motor vehicles at $25 per $1,000 of assessed value.

City of Newton

The City of Newton has become increasingly dependent upon real estate and personal property taxes, as shown in the following table. In 2012, real estate and personal property taxes accounted for 76.5 percent of all

revenues; by 2016, they comprised 83.5 percent of all revenues. The increase is a result of a decreasing reliance on intergovernmental revenues, which declined from 15.7 percent to 7.5 percent.

Table 22: City of Newton Revenues, 2012-2016 ($ millions)

Revenues	2012	2013	2014	2015	2016
Real Estate and Personal Property Tax	$248.5	$257.2	$277.6	$288.7	$309.0
Motor Vehicle Excise Taxes	$10.6	$11.4	$12.1	$12.5	$13.1
Hotel/Motel Tax	$1.8	$2.1	$2.2	$2.3	$2.4
Meals Taxes	$1.4	$1.4	$1.6	$1.8	$1.9
Intergovernmental	$50.9	$57.7	$57.0	$26.7	$27.8
Licenses and Permits	$5.4	$8.2	$6.9	$6.8	$9.2
All Other Revenues	$6.4	$5.9	$5.9	$6.7	$6.5
Total Revenues	**$325.0**	**$343.8**	**$363.3**	**$345.5**	**$369.9**

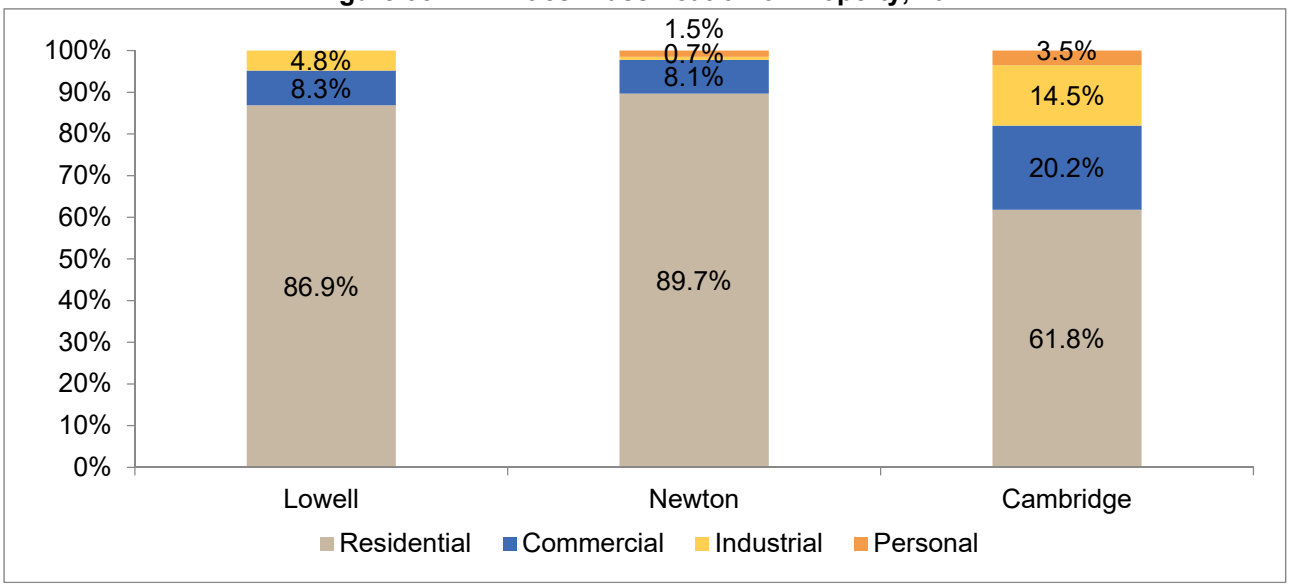
Source: City of Newton Official Statement

Similar to Lowell and Cambridge, Newton levies its hotel/motel tax at the full 6.0 percent permitted by state law, imposes an excise tax on motor vehicles at $25 per $1,000 of assessed value, and charges a meals tax. These additional taxes have consistently accounted for between 4.0 and 5.0 percent of total revenues.

Property Taxes and Housing Affordability

Properties in Middlesex County are largely residential, as shown in the following figure. In Lowell and Newton, more than 85 percent of property is residential. Of the three cities, Cambridge has the largest share of industrial (14.5 percent) and commercial (20.2 percent) properties.

Figure 35: MA Cities Classification of Property, 2017

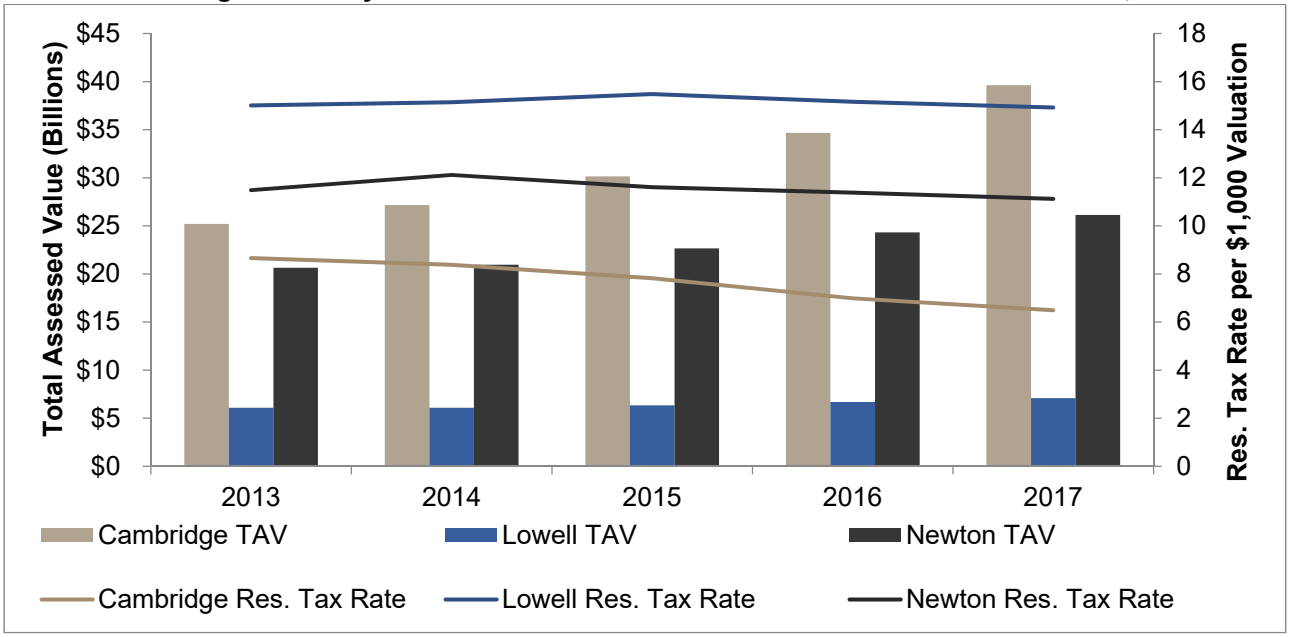


Source: Official Statements

Total assessed value in Cambridge has increased at an average of 12.0 percent annually in recent years, resulting in a residential tax rate that has declined by approximately 7.0 percent annually. Lowell and Newton have experienced more moderate changes: Lowell's 3.9 percent annual increase in assessed value is coupled

with a 0.2 percent annual decline in residential tax rate, while Newton has experienced a 6.1 percent increase in assessed value per year and a 0.8 percent decline in residential tax rates. These trends are displayed in the following figure.

Figure 36: City Trends in Total Assessed Value and Residential Tax Rates, 2013-2017



Source: Official Statements

Property Tax Assistance

The Commonwealth of Massachusetts offers several tools to make homeownership more affordable. Under the Community Preservation Act (CPA), the first $100,000 of residential property value is automatically exempt from the CPA surcharge.

Qualifying lower income owners and low-to-moderate income seniors may be eligible for a full surcharge exemption, based on income guidelines established by the Commonwealth of Massachusetts. Household income limitations range from $54,960 for a one-person, non-senior household to $129,500 for an 8-person, senior household.[97]

In Middlesex County, many cities and towns may give property tax exemptions to some individuals as defined by state law.

City of Lowell

- First Time Lowell Homebuyer Program: To encourage high-wage earning employees of Lowell-based businesses to live in the City, the Lowell Development Financial Corporation (LDFC) created a new homebuyer incentive program, which unlike traditional first time homebuyer programs, places no maximum cap on household income to qualify for the program. Participants can also have owned a

[97] City of Cambridge Property Tax Exemptions and Tax Deferral Information, November 2016. Accessed electronically at: https://www.cambridgema.gov/~/media/Files/assessingdepartment/News/Property-Tax-Exemptions--Tax-Deferral-Information-2.pdf

home in another community and may qualify as long as they have not owned a home in Lowell. The program pays half of the down payment costs, up to $5,000, to the homebuyers. This is a zero-interest loan with payments deferred in the first five years. Not only does this incentive serve as another tool the City can use in its business recruitment efforts, but it demonstrates the City's aggressive efforts to increase the average median income of households living in Lowell.[98]

- Property tax exemption on "class one" primary residences is meant to shift tax burden within the residential class from owners of moderately valued residential properties to the owners of vacation homes, higher valued homes, and/or residential properties not occupied by the owner, such as apartments and vacant land.[99] Previously, this was a 20 percent maximum exemption but is set at 35 percent for 2017.

City of Cambridge

- A residential property tax exemption is granted to property owners who occupy their property as their primary residence. The FY2017 exemption is $315,191, reducing tax burden by up to $2,045.[100]

City of Newton

- Newton does not currently provide a blanket residential property tax exemption; however, the City does provide a number of programs designed to alleviate property taxes for the elderly.[101]

Key Considerations for Long Island

- There is much debate surrounding whether state level income taxes are more feasible than local income taxes. Many argue that people will move away from a higher tax municipality, but there is no evidence that people move across state lines in order to avoid higher taxes. According to the Center for Budget Policy Priorities, differences in tax levels among states have little to no effect on whether and where people move.[102]
- Property tax exemption on "class one" primary residences is meant to shift tax burden within the residential class from owners of moderately valued residential properties to the owners of vacation homes, higher valued homes, and/or residential properties not occupied by the owner, such as apartments and vacant land.

[98] City of Lowell Official Statement
[99] https://www.lowellma.gov/documentcenter/view/2070
[100] https://www.cambridgema.gov/~/media/Files/financedepartment/fy17propertytax/FY17CambridgeTax Newsletterno-2.pdf
[101] http://www.newtonma.gov/gov/assessor/faq/default.asp
[102] Local Progress – Progressive Policies for Raising Municipal Revenue (April 2015).

Appendix F4 – Case Study: Montgomery County, Pennsylvania

Summary of Key Takeaways

- The County has taken measures to reduce costs where possible. Since January 2012, the County has reduced its personnel count by 729 employees (nearly 25 percent).
- Of 62 municipalities in Montgomery County, the majority (79.0 percent) impose a 0.5 percent municipal earned income tax (EIT) on their residents. An additional 14.5 percent of municipalities impose an EIT between 0.6 percent and 1.6 percent, while only four municipalities (6.5 percent) do not impose a municipal EIT.
- Four municipalities offer a low income exemption of between $2,000 and $5,000.

County Fast Facts	Montgomery	Nassau	Suffolk
Economic Indicators			
Median Household Income	$80,675	$99,465	$88,663
Individual Poverty Level	6.6%	6.2%	7.0%
% of Population w/ BA or Higher	46.9%	42.8%	34.0%
Unemployment Rate	6.4%	6.4%	6.4%
Geographic and Demographic Indicators			
Population (2015)	812,970	1,354,612	1,501,373
Population Change Since 2010	2.8%	1.9%	1.3%
Land Area (sq. miles)	483	285	912
Population Density (per sq. mile)	1,683	4,758	1,646
Median Resident Age (2015)	41.1	41.3	40.6
Housing and Mortgage Characteristics			
Median Home Value	$292,300	$446,400	$375,100
Total Housing Units	327,146	467,256	570,194
Median RE Taxes	$4,474	$10,000+	$8,676
Median Owner Costs as % of HHI	22.9%	28.6%	28.8%
Local Government Structure			
County Governments	1	1	1
Municipal Governments	24	66	33
Town/Township Governments	38	3	10
Special Districts	54	80	129
Independent School Districts	23	56	68
Total Local Governments	**140**	**206**	**241**

County Profile

Montgomery County, a suburban county of Philadelphia, is situated in the southeastern corner of the Commonwealth of Pennsylvania. The County marks part of the region's northern border with the Lehigh Valley region of the state to the north. The western section of the County contains significant farmland and rural landscapes with rapid growing occurring in the corridor between King of Prussia/Valley Forge and Pottstown. The remainder of the County is primarily residential, with numerous large employment centers of offices, high-tech, research, light industry and service-oriented firms throughout.

The County also contains numerous regional malls and major retail centers.[103] Encompassing nearly 500 square miles, Montgomery is the third most populous county in the Commonwealth of Pennsylvania, behind Philadelphia and Allegheny (Pittsburgh) Counties.

Based upon the most recent Bureau of Economic Administration (BEA) figures

[103] Montgomery County Official Statement

(2015), the County is the 62nd wealthiest as measured by personal income per capita of $71,306 among the more than 3,100 counties in the U.S. Additionally, disposable income in the County increased from $12.8 billion in 1991 to $34.0 billion in 2010. Additionally, disposable income per household increased from $46,750 to $112,103 in 2010.[104]

The County is responsible for the provision of a variety of services, including registration of elections and registration of voters; assessment of property for tax purposes; care of prisoners; maintenance of roads and bridges; care of the aged, dependent and indigent ill; planning; civil defense; sewage disposal; parks and recreation.

As of January 1, 2016, there were 2,252 full-time employees funded or employed by the County. Since January 2012, the County has reduced its personnel count by 729 employees (nearly 25 percent).

Component Units include:

- Montgomery County Community College
- Valley Forge Convention and Visitors Bureau, Ltd.
- Montgomery County-Norristown Public Library
- Redevelopment Authority of the County of Montgomery
- Montgomery County Transportation Authority

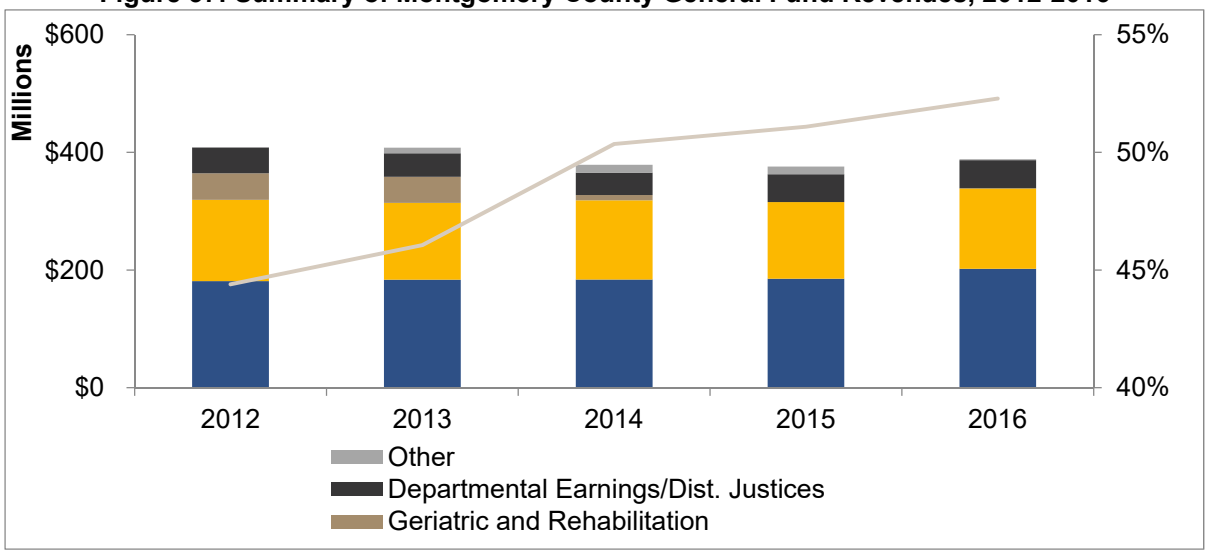
County Revenue Structure

A total of 2,492 of Pennsylvania's 2,562 municipalities (97.3 percent) and 469 of its 500 school districts (93.8 percent) impose a local income tax or local services tax.

As shown in the following figure, total County revenue collections are down over time. Between 2012 and 2015, total general fund revenues decreased by more than $45 million (11.1 percent). The losses are primarily due to decreases in geriatric and rehabilitation revenues, which totaled nearly $45 million in 2012 and $0 in 2015. Real estate tax collections have been generally stagnant, growing an average of 0.8 percent annually between 2012 and 2015. The County's 2016 budget projected an increase of 9.1 percent over 2015 levels.

[104] Ibid.

Figure 37: Summary of Montgomery County General Fund Revenues, 2012-2016



Source: Montgomery County Official Statement

In addition to the property tax, the County (through the Treasurer) also collects a 4.0 percent hotel room occupancy tax for the Valley Forge Convention and Visitors Bureau, which promotes convention services and tourism in the County. Revenues are deposited into the Room Occupancy Tax Fund, and must receive approval for distribution. This fund is not a County fund and is not included in the County's assets or liabilities.

Earned Income Tax[105]

In addition to the property taxes collected by the County, of 62 municipalities in Montgomery County, the majority (79.0 percent) impose a 0.5 percent municipal earned income tax (EIT) on their residents. An additional 14.5 percent of municipalities impose an EIT between 0.6 percent and 1.6 percent, while only four municipalities (6.5 percent) do not impose a municipal EIT. Four municipalities offer a low income exemption of between $2,000 and $5,000.

In addition to the municipal EIT, school districts in Montgomery County impose an EIT. More than 80 percent of school districts impose the EIT at 0.5 percent, while 11.3 percent use a rate equal to 0.9 percent or 1.0 percent. Five districts (8.1 percent) do not impose an EIT.

Local Services Tax[106]

Act 7 of 2007 amended the Local Tax Enabling Act, Act 511 of 1965, and changed the name of the Emergency and Municipal Services Tax (EMST) to the Local Services Tax (LST).

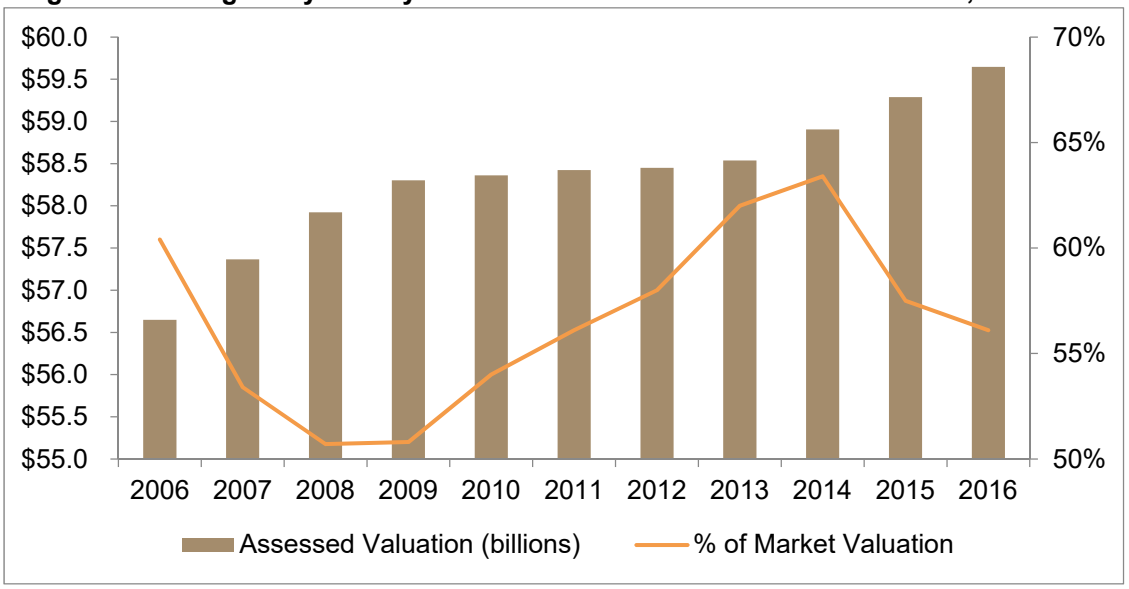
More than half (53.2 percent) of the municipalities in the County charge $52. A total of 30.6 percent of the counties charge between $5 and $47, and ten municipalities (16.1 percent) do not impose a municipal LST. School districts may also impose an LST, though 44 (71.0 percent) choose not to. More than one quarter (25.8 percent) charge $5, and two districts charge $10.

[105] Pennsylvania Department of Community and Economic Development, EIT Rates. Accessed May 15, 2017.
[106] Ibid.

Property Taxes and Housing Affordability

The County has the third highest market value of real estate in the Commonwealth, only surpassed by Allegheny and Philadelphia Counties. Effective January 1, 1998, the County completed a reassessment of all real property in the County. The County's trend in real estate market values, assessed valuations and assessed valuations as a percentage of market values since 2006 is shown in the following figure.

Figure 38: Montgomery County Trends in Assessed and Market Valuations, 2006-2016



Source: Montgomery County Official Statement

There were approximately 1,250 pending assessment appeals in the County as of date of the official statement. The County Board of Assessment Appeals does not maintain a schedule of the total amount of assessments subject to appeal, but for properties with current assessments of $20.0 million or more, it has calculated that taxpayers' appeals place at issue a maximum of $1.3 billion of claimed excessive assessed evaluation.

The County is empowered to levy taxes up to 30 mills on the assessed value of real estate for general County purposes and without limitation as to rate or amount for debt service on its general obligation bonds and Bonds. Additionally, the County can levy taxes on intangible personal property at up to 4 mills.

The total County millage in 2016 was established at 3.459 mills – an increase in the millage rate of 9.8 percent. Within the five-county Philadelphia metropolitan region, the County residents' real estate tax burden based upon family income was below average, with only Bucks County residents bearing a lower burden; focusing on county-imposed real estate property taxes, the County imposes the lowest tax burden among its five neighboring counties.

Table 23: Residential Real Estate Tax Burden, Montgomery & Neighboring Counties

County	2016 Mills	2015 Common Level Ratio	County Property Tax per $100,000 Market Value
Montgomery	**3.459**	**56.1**	**$194.05**
Chester	4.163	55.4	$230.63
Bucks	23.200	11.3	$262.16
Lehigh	3.750	100.4	$376.50
Delaware	5.604	67.8	$379.95
Berks	7.372	75.6	$557.32

Source: Montgomery County Official Statement

Property Tax Assistance

Montgomery County real estate taxes are levied on March 1st; taxes collected within 60 days are given a 2.0 percent discount. Amounts paid after 120 days are assessed a 10.0 percent penalty.

Through the Taxpayer Relief Act, the Commonwealth of Pennsylvania provides each school district with the means to lower property taxes to homeowners through state gaming revenues. Property tax reductions are through a "homestead or farmstead exclusion" and generally, most owner-occupied homes and farms are eligible for the reduction. In order to qualify,

In 2017, the total amount certified for statewide property tax relief is $595 million; the average statewide property tax reduction for each household is approximately $200.[107] In addition to that amount, $27.2 million to be transferred to the Lottery Fund to reimburse costs related to supplemental property tax rebates. Additionally, $118.5 million will be transferred to the Lottery Fund for enhancements to the Property Tax/Rent Rebate program, and $24.3 million is used to reimburse eligible school districts under Section 324 of the Taxpayer Relief Act (these payments are known as Sterling Act reimbursements).

Pennsylvania is not a Mortgage Credit Certificate State.

In addition to property tax assistance, Montgomery County residents can access several homebuyer programs:

- Montgomery County Partners for Homeownership is a coalition of agencies, nonprofits and local businesses with a collective goal of increasing homeownership.
- The Montgomery County First Time Homebuyers Program is available to residents with a household income of less than 100 percent of the median income. Assistance under the program is equal to up to 10 percent of the estimated affordable sales price, not to exceed $10,000. The participant must occupy the home as the primary residence for 15 years.
- The Montgomery County Housing and Community Development HOME Program provides home buying assistance for residents with a household income less than 80 percent of median income. The program provides assistance up to $10,000 for down payment and closing costs for single family homes in specific areas within the County.[108]

[107] Budget Secretary Certifies More than $783 Million for Pennsylvania Property Tax Relief. April 15, 2015. Accessed electronically at https://www.governor.pa.gov/pennsylvania-property-tax-relief/
[108] Ineligible neighborhoods include Abington, Conshohocken, Limerick, Lower Merion and Norristown

Finally, many municipalities within Montgomery County offer local incentives and programs to assist with homeownership:

- For selected renovated properties Pottstown and Norristown, funding made available by Genesis Housing Corporation provides an effective 20 percent reduction in the price of a renovated home. A second lien is placed on the home for the amount of the price reduction. The program is available to residents whose household income does not exceed 80 percent of median income.[109]
- Lower Merion Township provides the difference between the sales price of a property and the mortgage amount for purchase of a renovated home within the neighborhood. To qualify, household income must not exceed 80 percent of median income.
- The Municipality of Norristown provides $2,500 toward down payment and $2,500 closing cost assistance; there is no repayment unless the home is sold, refinanced, rented or transferred within 5 years.

Key Considerations for Long Island

- The County has taken measures to reduce costs where possible. Since January 2012, the County has reduced its personnel count by 729 employees (nearly 25 percent).
- Of 62 municipalities in Montgomery County, the majority (79.0 percent) impose a 0.5 percent municipal earned income tax (EIT) on their residents. An additional 14.5 percent of municipalities impose an EIT between 0.6 percent and 1.6 percent, while only four municipalities (6.5 percent) do not impose a municipal EIT.
- Many programs exist at the local level to assist residents in managing the expenses associated with homeownership.

[109] http://www.mcpho.org/?page_id=63#one

Appendix F5 – Case Study: Oakland County, Michigan

Summary of Key Takeaways

- Oakland County is traditionally one of the most prosperous local economies in the United States.
- Per capita personal income (PCPI) of $63,454 is the highest among all Michigan counties.
- In 1974, the County established the Delinquent Tax Revolving Fund (DTRF) to help stabilize annual revenues for local taxing units.
- Governmental activities have decreased their dependency on property taxes; the 2016 percentage (41.9 percent) is far below that of 2008, when property taxes represented 60.6 percent of governmental activity revenue.

County Fast Facts	Oakland	Nassau	Suffolk
Economic Indicators			
Median Household Income	$67,465	$99,465	$88,663
Individual Poverty Level	10.1%	6.2%	7.0%
% of Population w/ BA or Higher	44.4%	42.8%	34.0%
Unemployment Rate	7.5%	6.4%	6.4%
Geographic and Demographic Indicators			
Population (2015)	1,229,503	1,354,612	1,501,373
Population Change Since 2010	2.4%	1.9%	1.3%
Land Area (sq. miles)	868	285	912
Population Density (per sq. mile)	1,417	4,758	1,646
Median Resident Age (2015)	40.8	41.3	40.6
Housing and Mortgage Characteristics			
Median Home Value	$178,900	$446,400	$375,100
Total Housing Units	531,609	467,256	570,194
Median RE Taxes	$3,386	$10,000+	$8,676
Median Owner Costs as % of HHI	20.9%	28.6%	28.8%
Local Government Structure			
County Governments	1	1	1
Municipal Governments	39	66	33
Town/Township Governments	21	3	10
Special Districts	11	80	129
Independent School Districts	29	56	68
Total Local Governments	**101**	**206**	**241**

County Profile[110]

Incorporated in 1820, Oakland County covers more than 850 square miles in southeast Michigan, immediately north of the City of Detroit and Wayne County. The County is home to a mix of rural and urban communities, encompassing 60 cities, villages and townships. Measuring per capita income, the County ranks as the ninth wealthiest county in the nation among counties with populations between 0.9 million and 1.6 million.

The County provides public health, child care, homeland security, community and economic development, planning, public safety, public records, public works, airports and other services to its residents.

Included in the County's operations are various "blended" component units which provide specific services countywide or to distinct areas within the County:

- A three-member Road Commission
- A three-member Drain Board
- A 10-member Parks and Recreation Commission

[110] Oakland County Comprehensive Annual Financial Report (2016)

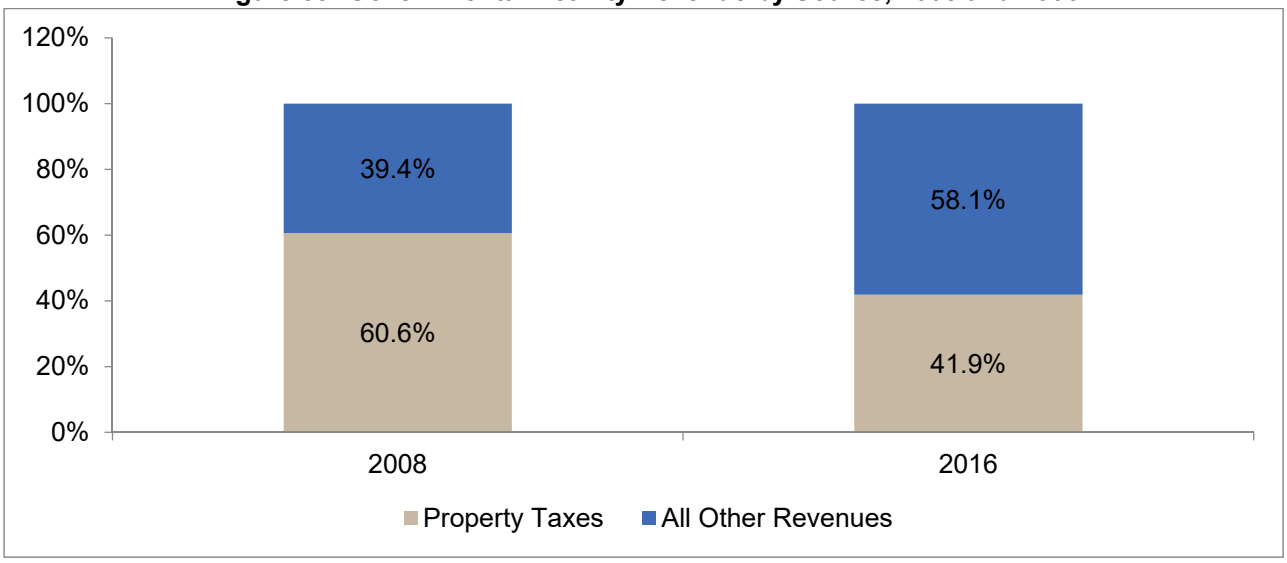
Oakland County is traditionally one of the most prosperous local economies in the United States. Per capita personal income (PCPI) of $63,454 is the highest among all Michigan counties.

The County has invested in dynamic economic development programs and views itself as an ideal location for business. Since its creation in 2004, the Emerging Sectors program has had 424 business successes and has attracted about $3.8 billion in investment, creating approximately 40,500 jobs and retaining another 25,500.

County Revenue Structure

The primary source of revenue to fund governmental operations is the property tax. Property taxes generated $210.2 million in revenue in 2016, comprising 41.9 percent of all governmental activity revenue. Governmental activities have decreased their dependency on property taxes; the 2016 percentage is far below that of 2008, when property taxes represented 60.6 percent of governmental activity revenue. However, this reduced reliance on property revenue is due to reduced property values when compared to 2008, rather than substantial increases from other revenue sources.

Figure 39: Governmental Activity Revenue by Source, 2008 and 2006



Source: Oakland County 2016 CAFR

In 1974, the County established the Delinquent Tax Revolving Fund (DTRF) to help stabilize annual revenues for local taxing units. It does this by paying local communities 100 percent of their share of delinquent property taxes in anticipation of the collection of those taxes by the County Treasurer. The County funds the DTRF by borrowing money and issuing revolving fund notes. Payment of those notes is made from the proceeds of delinquent tax collections. Once the notes are paid in full, any surplus in the fund may be transferred to the County General Fund by action of the Board of Commissioners.

Property Taxes and Housing Affordability

The 2016 market value of property in Oakland County is approximately $130.2 billion, an increase of $8.6 billion (7.0 percent) from 2015, the fourth year of increase in property value following five consecutive years of decline.
Oakland County's collective property values remain the highest of all 83 counties in Michigan, and represents 16.4 percent of the State's total value. The majority of the taxable value is within the residential class of property, which is approximately 73.9 percent of the total property tax base.

The average property tax rate is distributed to the following taxing authorities:

▪ Local School Districts	32.48%
▪ Cities, Villages and Townships	30.08%
▪ State Education Tax	14.34%
▪ County Operating	9.65%
▪ Intermediate School District	7.94%
▪ Community College	3.72%
▪ Parks & Recreation	1.79%
	100.00%

Property Tax Assistance

In addition to the recent reforms mentioned above, several tools are available to residents to make home ownership more affordable. The State of Michigan is a Mortgage Credit Certificate (MCC) state, enabling first-time homebuyers statewide, and repeat homebuyers in target areas, with reductions in federal tax liability of up to 20 percent of annual mortgage costs. The maximum home sale price covered under the program is $224,500 statewide.

Under the State's homestead property tax credit, qualifying residents receive a credit when the taxable value of their home is $135,000 or less and total household resources are $50,000 or less.[111] Additionally, Michigan's Principal Residences Exemption (PRE) program exempts homeowners from 18 mills of local school tax.[112]

At the local level, Oakland County has a Foreclosure Prevention Initiative – a partnership between the Treasurer's Office, the local chapter of the United Way, and other public and non-profit organizations. Under the initiative, poverty and hardship exemptions are granted on a case-by-case basis.[113]

Key Considerations for Long Island

- The County's Delinquent Tax Revolving Fund helps to stabilize annual revenues for local taxing units. It does this by paying local communities 100 percent of their share of delinquent property taxes in anticipation of the collection of those taxes by the County Treasurer.

[111] http://www.michigan.gov/taxes/0,4676,7-238-43535_43538-155081--,00.html
[112] http://www.michigan.gov/taxes/0,4676,7-238-43535_43539---,00.html
[113] https://www.oakgov.com/treasurer/Pages/foreclosure/tax_foreclosure_prevention.aspx

Appendix G1: GIS Mapping Data Sources and Methodology

Data Source	Description
American Community Survey (ACS)	Demographic variables were obtained from the ACS that include population, household, education and real estate tax data. The 5-year average (2011-2015) was obtained for each school district.
U.S. Census Boundaries	Shapefile boundaries for all unified and secondary school districts were obtained from the U.S. Census for 2010.
New York State Tax Parcels (2015)	Tax parcel data was obtained through the NYS GIS Clearinghouse. This data set is compiled by the NYS Office of Information Technology Services GIS Program Office's (GPO) Statewide Parcel Map Program. ArcGIS Pro was used to sum the residential property data by school district.
New York State Comptroller	Real property data was obtained for tax levy, full market value and tax rates for school district appropriations.
New York State Department of Education (NYSED)	Variables included in the database include school district enrollment (2014-2015), school aid (2015-2016), state spending per pupil (2015-2016) and combined wealth ratio (2015-2016).

Appendix G2: GIS Mapping Data Table: Housing Data in School Districts on Long Island[1]

Label[2]	Name	Housing Units	Vacant Units	Occupied Units	Vacancy Rate	Owner Occupied	Renter Occupied	Owner Units with Mortgage	% Owned Units with Mortgage
1	Amagansett Union Free	2,375	1,810	565	76%	448	117	180	40%
2	Amityville Union Free	10,165	957	9,208	9%	5,855	3,353	4,156	71%
3	Babylon Union Free	4,645	389	4,256	8%	2,998	1,258	1,950	65%
4	Baldwin Union Free	11,227	656	10,571	6%	8,872	1,699	6,283	71%
5	Bay Shore Union Free	12,461	556	11,905	5%	8,054	3,851	5,850	73%
6	Bayport-Blue Point Union Free	5,158	363	4,795	7%	3,546	1,249	2,399	68%
7	Bellmore Union Free	4,333	200	4,133	5%	3,663	470	2,547	70%
8	Bethpage Union Free	6,890	407	6,483	6%	5,902	581	3,246	55%
9	Brentwood Union Free	22,063	1,272	20,791	6%	15,163	5,628	11,918	79%
10	Bridgehampton Union Free	2,137	1,676	461	78%	387	74	201	52%
11	Brookhaven-Comsewogue Union Free	8,749	474	8,275	5%	6,553	1,722	4,696	72%
12	Carle Place Union Free	3,392	98	3,294	3%	2,334	960	1,441	62%
13	Center Moriches Union Free	2,843	328	2,515	12%	2,035	480	1,454	71%
14	Central Islip Union Free	11,252	739	10,513	7%	6,995	3,518	5,539	79%
15	Cold Spring Harbor Central	2,763	291	2,472	11%	2,338	134	1,363	58%
16	Commack Union Free	12,622	438	12,184	4%	11,162	1,022	7,535	68%
17	Connetquot Central	14,641	1,099	13,542	8%	10,804	2,738	7,811	72%
18	Copiague Union Free	10,375	684	9,691	7%	6,610	3,081	4,633	70%
19	Deer Park Union Free	8,872	285	8,587	3%	7,052	1,535	4,932	70%
20	East Hampton Union Free	8,000	4,007	3,993	50%	3,071	922	1,847	60%
21	East Islip Union Free	8,360	581	7,779	7%	6,932	847	5,141	74%
22	East Meadow Union Free	17,509	676	16,833	4%	14,748	2,085	8,799	60%
23	East Moriches Union Free	2,410	277	2,133	12%	1,676	457	1,076	64%
24	East Quogue Union Free	2,792	1,107	1,685	40%	1,469	216	840	57%
25	East Rockaway Union Free	3,662	228	3,434	6%	2,664	770	1,539	58%
26	East Williston Union Free	2,920	132	2,788	5%	2,559	229	1,394	55%

Label[2]	Name	Housing Units	Vacant Units	Occupied Units	Vacancy Rate	Owner Occupied	Renter Occupied	Owner Units with Mortgage	% Owned Units with Mortgage
27	Eastport-South Manor Central	6,943	449	6,494	7%	5,559	935	4,073	73%
28	Elmont Union Free	15,904	689	15,215	4%	12,523	2,692	9,387	75%
29	Elwood Union Free	4,349	111	4,238	3%	3,873	365	2,608	67%
30	Farmingdale Union Free	14,889	806	14,083	5%	11,847	2,236	8,137	69%
31	Fire Island Union Free	4,386	4,244	142	97%	118	24	69	59%
32	Fishers Island Union Free	789	655	134	83%	93	41	21	23%
33	Floral Park-Bellerose Union Free	7,141	244	6,897	3%	5,589	1,308	3,449	62%
34	Franklin Square Union Free	8,699	392	8,307	5%	6,890	1,417	4,488	65%
35	Freeport Union Free	13,074	659	12,415	5%	8,084	4,331	5,823	72%
36	Garden City Union Free	7,678	334	7,344	4%	6,888	456	4,100	60%
37	Glen Cove City	10,043	530	9,513	5%	4,880	4,633	3,126	64%
38	Great Neck Union Free	16,994	1,411	15,583	8%	12,020	3,563	6,764	56%
39	Greenport Union Free	3,163	1,232	1,931	39%	1,275	656	506	40%
40	Half Hollow Hills Central	15,976	661	15,315	4%	13,612	1,703	8,802	65%
41	Hampton Bays Union Free	7,650	2,866	4,784	38%	3,358	1,426	2,082	62%
42	Harborfields Central	6,977	441	6,536	6%	5,553	983	3,717	67%
43	Hauppauge Union Free	8,030	318	7,712	4%	6,434	1,278	4,085	64%
44	Hempstead Union Free	14,339	1,196	13,143	8%	4,613	8,530	3,624	79%
45	Herricks Union Free	8,852	443	8,409	5%	7,796	613	4,805	62%
46	Hewlett-Woodmere Union Free	6,841	516	6,325	8%	5,610	715	3,473	62%
47	Hicksville Union Free	13,570	616	12,954	5%	11,045	1,909	7,245	66%
48	Huntington Union Free	13,477	908	12,569	7%	9,506	3,063	6,798	72%
49	Island Park Union Free	3,363	275	3,088	8%	2,266	822	1,553	69%
50	Island Trees Union Free	5,062	65	4,997	1%	4,538	459	2,903	64%
51	Islip Union Free	6,810	403	6,407	6%	5,279	1,128	3,693	70%
52	Jericho Union Free	5,125	260	4,865	5%	3,996	869	2,636	66%
53	Kings Park Central	8,799	393	7,806	5%	6,601	1,205	4,495	68%
54	Lawrence Union Free	12,513	1,384	11,129	11%	8,127	3,002	4,679	58%
55	Levittown Union Free	15,485	529	14,956	3%	13,731	1,225	9,371	68%

Label[2]	Name	Housing Units	Vacant Units	Occupied Units	Vacancy Rate	Owner Occupied	Renter Occupied	Owner Units with Mortgage	% Owned Units with Mortgage
56	Lindenhurst Union Free	14,702	966	13,736	7%	10,366	3,370	7,529	73%
57	Locust Valley Central	6,045	572	5,473	10%	4,464	1,009	2,704	61%
58	Long Beach City	19,393	2,658	16,735	14%	10,095	6,640	7,029	70%
59	Longwood Central	26,823	2,262	24,561	8%	17,408	7,153	12,530	72%
60	Lynbrook Union Free	6,972	425	6,547	6%	5,106	1,441	3,666	72%
61	Malverne Union Free	5,326	246	5,080	5%	4,257	823	3,004	71%
62	Manhasset Union Free	5,670	491	5,179	9%	4,580	599	2,537	55%
63	Massapequa Union Free	15,881	757	15,124	5%	14,352	772	9,109	64%
64	Mattituck-Cutchogue Union Free	5,747	1,874	3,873	33%	3,336	537	1,855	56%
65	Merrick Union Free	6,033	233	5,800	4%	5,489	311	3,598	66%
66	Middle Country Central	21,212	992	20,220	5%	16,870	3,350	12,589	75%
67	Miller Place Union Free	5,567	514	5,053	9%	4,732	321	3,415	72%
68	Mineola Union Free	9,297	577	8,720	6%	6,242	2,478	3,559	57%
69	Montauk Union Free	4,685	2,951	1,734	63%	1,361	373	656	48%
70	Mount Sinai Union Free	4,467	161	4,306	4%	4,023	283	2,792	69%
71	New Hyde Park-Garden City Park Union Free	7,625	304	7,321	4%	6,367	954	3,711	58%
72	New Suffolk Common	332	165	167	50%	120	47	58	48%
73	North Babylon Union Free	9,996	475	9,521	5%	7,849	1,672	5,770	74%
74	North Bellmore Union Free	8,711	239	8,472	3%	7,623	849	5,117	67%
75	North Merrick Union Free	4,465	212	4,253	5%	3,983	270	2,749	69%
76	North Shore Central	6,091	184	5,907	3%	4,837	1,070	3,036	63%
77	Northport-East Northport Union Free	13,779	897	12,882	7%	10,602	2,280	7,194	68%
78	Oceanside Union Free	12,718	458	12,260	4%	10,509	1,751	6,863	65%
79	Oyster Bay-East Norwich Central	5,420	518	4,902	10%	3,717	1,185	2,417	65%
80	Oysterponds Union Free	1,830	1,070	760	59%	684	76	306	45%
81	Patchogue-Medford Union Free	19,155	1,005	18,150	5%	12,848	5,302	9,368	73%
82	Plainedge Union Free	6,452	145	6,307	2%	5,826	481	4,132	71%
83	Plainview-Old Bethpage Central	10,108	334	9,774	3%	9,006	768	5,794	64%

Label[2]	Name	Housing Units	Vacant Units	Occupied Units	Vacancy Rate	Owner Occupied	Renter Occupied	Owner Units with Mortgage	% Owned Units with Mortgage
84	Port Jefferson Union Free	3,174	177	2,997	6%	2,342	655	1,672	71%
85	Port Washington Union Free	12,352	1,056	11,296	9%	7,485	3,811	4,393	59%
86	Quogue Union Free	1,822	1,420	402	78%	333	69	175	53%
87	Remsenburg-Speonk Union Free	1,858	1,233	625	66%	552	73	240	44%
88	Riverhead Central	17,083	3,213	13,870	19%	10,511	3,359	5,711	54%
89	Rockville Centre Union Free	8,712	381	8,331	4%	5,953	2,378	3,941	66%
90	Rocky Point Union Free	6,798	801	5,997	12%	5,149	848	3,970	77%
91	Roosevelt Union Free	5,031	322	4,709	6%	3,294	1,415	2,727	83%
92	Roslyn Union Free	6,317	286	6,031	5%	5,066	965	3,304	65%
93	Sachem Central	28,335	1,138	27,197	4%	22,125	5,072	16,595	75%
94	Sag Harbor Union Free	5,924	3,045	2,879	51%	2,370	509	1,366	58%
95	Sagaponack Common	664	566	98	85%	93	5	44	47%
96	Sayville Union Free	6,456	215	6,241	3%	5,034	1,207	3,449	69%
97	Seaford Union Free	5,665	158	5,507	3%	4,879	628	3,276	67%
98	Shelter Island Union Free	2,901	1,772	1,129	61%	990	139	569	58%
99	Shoreham-Wading River Central	4,622	227	4,395	5%	4,168	227	2,838	68%
100	Smithtown Central	20,058	945	19,113	5%	16,755	2,358	11,546	69%
101	South Country Central	11,009	737	10,272	7%	6,933	3,339	5,062	73%
102	South Huntington Union Free	13,638	684	12,954	5%	10,676	2,278	7,378	69%
103	Southampton Union Free	8,721	4,463	4,258	51%	3,322	936	1,953	59%
104	Southold Union Free	4,538	1,703	2,835	38%	2,504	331	1,340	54%
105	Springs Union Free	4,767	2,356	2,411	49%	2,164	247	1,307	60%
106	Syosset Central	11,777	465	11,312	4%	10,287	1,025	6,656	65%
107	Three Village Central	13,812	872	12,940	6%	11,483	1,457	7,755	68%
108	Tuckahoe Common	2,552	1,297	1,255	51%	1,824	-569	569	31%
109	Uniondale Union Free	11,357	787	10,570	7%	7,844	2,726	5,766	74%
110	Valley Stream Union Free 13	9,675	549	9,126	6%	8,251	875	5,810	70%
111	Valley Stream Union Free 24	4,674	170	4,504	4%	3,303	1,201	2,271	69%
112	Valley Stream Union Free 30	5,307	163	5,144	3%	4,147	997	2,959	71%
113	Wainscott Common	1,078	750	328	70%	237	91	97	41%
114	Wantagh Union Free	5,803	251	5,552	4%	5,249	303	3,515	67%

Label[2]	Name	Housing Units	Vacant Units	Occupied Units	Vacancy Rate	Owner Occupied	Renter Occupied	Owner Units with Mortgage	% Owned Units with Mortgage
115	West Babylon Union Free	9,887	445	9,442	5%	6,883	2,559	4,941	72%
116	West Hempstead Union Free	5,424	224	5,200	4%	4,357	843	2,711	62%
117	West Islip Union Free	8,856	276	8,580	3%	8,105	475	5,978	74%
118	Westbury Union Free	7,642	485	7,157	6%	4,820	2,337	3,210	67%
119	Westhampton Beach Union Free	4,758	2,638	2,120	55%	1,663	457	901	54%
120	William Floyd Union Free	17,654	1,910	15,744	11%	11,784	3,960	9,051	77%
121	Wyandanch Union Free	3,310	336	2,974	10%	1,890	1,084	1,447	77%

Notes

1. All data in this table were obtained or calculated from the 2011-2015 American Community Survey (ACS), U.S. Census Bureau.
2. Labels are indexed to numbers represented on figures located throughout the report.

Appendix G3: GIS Mapping Data Table: Real Estate Tax Data[1]

Label [2]	Name	Median RE Tax – Owner Occ	Mean RE Tax – Owner Occ	Aggregate RE Taxes - Owner Occupied	RE Tax per Owner Occupied	20% of RE Tax -Owner Occupied	Est Total RE –Occupied Unit[3]	20% of Estimated Real Estate Tax - Occupied	Savings Per Occupied Unit
1	Amagansett Union Free	$5,489	$7,255	$3,250,400	$7,255	$650,080	$4,099,277	$819,855	$1,451
2	Amityville Union Free	$8,142	$7,817	$45,767,300	$7,817	$9,153,460	$71,976,994	$14,395,399	$1,563
3	Babylon Union Free	$10,001	$10,548	$31,623,200	$10,548	$6,324,640	$44,892,708	$8,978,542	$2,110
4	Baldwin Union Free	$9,916	$9,409	$83,480,800	$9,409	$16,696,160	$99,467,486	$19,893,497	$1,882
5	Bay Shore Union Free	$9,335	$9,316	$75,033,700	$9,316	$15,006,740	$110,910,876	$22,182,175	$1,863
6	Bayport-Blue Point Union Free	$10,001	$10,825	$38,385,900	$10,825	$7,677,180	$51,906,484	$10,381,297	$2,165
7	Bellmore Union Free	$10,001	$11,241	$41,175,300	$11,241	$8,235,060	$46,458,508	$9,291,702	$2,248
8	Bethpage Union Free	$9,133	$8,492	$50,120,000	$8,492	$10,024,000	$55,053,873	$11,010,775	$1,698
9	Brentwood Union Free	$6,320	$6,304	$95,580,600	$6,304	$19,116,120	$131,056,932	$26,211,386	$1,261
10	Bridgehampton Union Free	$5,743	$6,412	$2,481,500	$6,412	$496,300	$2,955,999	$591,200	$1,282
11	Brookhaven-Comsewogue Union Free	$8,369	$7,849	$51,434,000	$7,849	$10,286,800	$64,949,847	$12,989,969	$1,570
12	Carle Place Union Free	$9,629	$9,592	$22,386,900	$9,592	$4,477,380	$31,594,879	$6,318,976	$1,918
13	Center Moriches Union Free	$9,193	$9,156	$18,632,900	$9,156	$3,726,580	$23,027,884	$4,605,577	$1,831
14	Central Islip Union Free	$7,827	$7,369	$51,544,300	$7,369	$10,308,860	$77,467,509	$15,493,502	$1,474
15	Cold Spring Harbor Central	$10,001	$18,783	$43,915,500	$18,783	$8,783,100	$46,432,470	$9,286,494	$3,757
16	Commack Union Free	$10,001	$11,254	$125,618,500	$11,254	$25,123,700	$137,120,212	$27,424,042	$2,251
17	Connetquot Central	$8,644	$8,178	$88,358,100	$8,178	$17,671,620	$110,750,221	$22,150,044	$1,636
18	Copiague Union Free	$8,041	$7,789	$51,484,400	$7,789	$10,296,880	$75,481,894	$15,096,379	$1,558
19	Deer Park Union Free	$8,358	$7,912	$55,794,400	$7,912	$11,158,880	$67,939,097	$13,587,819	$1,582
20	East Hampton Union Free	$6,596	$7,446	$22,867,200	$7,446	$4,573,440	$29,732,572	$5,946,514	$1,489
21	East Islip Union Free	$9,996	$10,146	$70,330,700	$10,146	$14,066,140	$78,924,194	$15,784,839	$2,029
22	East Meadow Union Free	$9,158	$8,485	$125,136,200	$8,485	$25,027,240	$142,827,343	$28,565,469	$1,697
23	East Moriches Union Free	$9,215	$9,587	$16,067,300	$9,587	$3,213,460	$20,448,419	$4,089,684	$1,917
24	East Quogue Union Free	$6,124	$6,181	$9,079,300	$6,181	$1,815,860	$10,414,309	$2,082,862	$1,236
25	East Rockaway Union Free	$8,655	$8,050	$21,444,500	$8,050	$4,288,900	$27,642,798	$5,528,560	$1,610
26	East Williston Union Free	$10,001	$16,492	$42,202,700	$16,492	$8,440,540	$45,979,339	$9,195,868	$3,298
27	Eastport-South Manor Central	$8,542	$8,582	$47,708,600	$8,582	$9,541,720	$55,732,982	$11,146,596	$1,716
28	Elmont Union Free	$8,719	$8,236	$103,134,600	$8,236	$20,626,920	$125,304,874	$25,060,975	$1,647
29	Elwood Union Free	$10,001	$10,960	$42,446,300	$10,960	$8,489,260	$46,446,532	$9,289,306	$2,192
30	Farmingdale Union Free	$9,689	$8,947	$105,995,400	$8,947	$21,199,080	$126,000,947	$25,200,189	$1,789
31	Fire Island Union Free	$6,639	$7,255	$856,100	$7,255	$171,220	$1,030,222	$206,044	$1,451
32	Fishers Island Union Free		$10,838	$1,007,900	$10,838	$201,580	$1,452,243	$290,449	$2,168
33	Floral Park-Bellerose Union Free	$10,001	$9,787	$54,701,600	$9,787	$10,940,320	$67,503,477	$13,500,695	$1,957

Label [2]	Name	Median RE Tax – Owner Occ	Mean RE Tax – Owner Occ	Aggregate RE Taxes - Owner Occupied	RE Tax per Owner Occupied	20% of RE Tax -Owner Occupied	Est Total RE –Occupied Unit[3]	20% of Estimated Real Estate Tax - Occupied	Savings Per Occupied Unit
34	Franklin Square Union Free	$9,252	$8,734	$60,174,900	$8,734	$12,034,980	$72,550,493	$14,510,099	$1,747
35	Freeport Union Free	$8,912	$8,331	$67,348,600	$8,331	$13,469,720	$103,430,587	$20,686,117	$1,666
36	Garden City Union Free	$10,001	$14,640	$100,841,500	$14,640	$20,168,300	$107,517,418	$21,503,484	$2,928
37	Glen Cove City	$9,363	$9,865	$48,139,400	$9,865	$9,627,880	$93,842,236	$18,768,447	$1,973
38	Great Neck Union Free	$10,001	$12,168	$146,261,600	$12,168	$29,252,320	$189,616,848	$37,923,370	$2,434
39	Greenport Union Free	$4,682	$4,837	$6,167,100	$4,837	$1,233,420	$9,340,133	$1,868,027	$967
40	Half Hollow Hills Central	$10,001	$12,065	$164,235,200	$12,065	$32,847,040	$184,782,698	$36,956,540	$2,413
41	Hampton Bays Union Free	$6,364	$6,556	$22,015,300	$6,556	$4,403,060	$31,364,263	$6,272,853	$1,311
42	Harborfields Central	$10,001	$11,469	$63,688,100	$11,469	$12,737,620	$74,962,259	$14,992,452	$2,294
43	Hauppauge Union Free	$8,182	$8,088	$52,035,700	$8,088	$10,407,140	$62,371,669	$12,474,334	$1,618
44	Hempstead Union Free	$10,001	$9,558	$44,090,700	$9,558	$8,818,140	$125,619,785	$25,123,957	$1,912
45	Herricks Union Free	$10,001	$12,677	$98,829,600	$12,677	$19,765,920	$106,600,578	$21,320,116	$2,535
46	Hewlett-Woodmere Union Free	$10,001	$13,189	$73,991,400	$13,189	$14,798,280	$83,421,676	$16,684,335	$2,638
47	Hicksville Union Free	$7,291	$7,068	$78,069,600	$7,068	$15,613,920	$91,563,024	$18,312,605	$1,414
48	Huntington Union Free	$10,001	$10,315	$98,051,000	$10,315	$19,610,200	$129,644,753	$25,928,951	$2,063
49	Island Park Union Free	$7,336	$7,452	$16,887,200	$7,452	$3,377,440	$23,013,095	$4,602,619	$1,490
50	Island Trees Union Free	$8,485	$7,998	$36,296,200	$7,998	$7,259,240	$39,967,411	$7,993,482	$1,600
51	Islip Union Free	$9,881	$9,629	$50,833,000	$9,629	$10,166,600	$61,694,834	$12,338,967	$1,926
52	Jericho Union Free	$10,001	$16,009	$63,973,700	$16,009	$12,794,740	$77,885,899	$15,577,180	$3,202
53	Kings Park Central	$9,567	$9,803	$64,706,600	$9,803	$12,941,320	$76,518,667	$15,303,733	$1,961
54	Lawrence Union Free	$9,509	$9,660	$78,507,000	$9,660	$15,701,400	$107,506,386	$21,501,277	$1,932
55	Levittown Union Free	$9,780	$9,107	$125,042,300	$9,107	$25,008,460	$136,197,847	$27,239,569	$1,821
56	Lindenhurst Union Free	$8,928	$8,544	$88,565,200	$8,544	$17,713,040	$117,357,861	$23,471,572	$1,709
57	Locust Valley Central	$10,001	$12,782	$57,059,400	$12,782	$11,411,880	$69,956,563	$13,991,313	$2,556
58	Long Beach City	$8,708	$8,440	$85,206,100	$8,440	$17,041,220	$141,250,528	$28,250,106	$1,688
59	Longwood Central	$7,019	$6,689	$116,449,600	$6,689	$23,289,920	$164,299,094	$32,859,819	$1,338
60	Lynbrook Union Free	$10,001	$11,052	$56,433,600	$11,052	$11,286,720	$72,360,121	$14,472,024	$2,210
61	Malverne Union Free	$10,001	$9,981	$42,488,300	$9,981	$8,497,660	$50,702,505	$10,140,501	$1,996
62	Manhasset Union Free	$10,001	$16,084	$73,666,900	$16,084	$14,733,380	$83,301,501	$16,660,300	$3,217
63	Massapequa Union Free	$10,001	$10,347	$148,502,100	$10,347	$29,700,420	$156,490,089	$31,298,018	$2,069
64	Mattituck-Cutchogue Union Free	$7,249	$7,966	$26,574,200	$7,966	$5,314,840	$30,851,881	$6,170,376	$1,593
65	Merrick Union Free	$10,001	$12,723	$69,837,500	$12,723	$13,967,500	$73,794,407	$14,758,881	$2,545
66	Middle Country Central	$7,971	$7,591	$128,062,800	$7,591	$25,612,560	$153,493,172	$30,698,634	$1,518
67	Miller Place Union Free	$9,306	$9,788	$46,318,900	$9,788	$9,263,780	$49,460,989	$9,892,198	$1,958
68	Mineola Union Free	$8,516	$7,862	$49,072,400	$7,862	$9,814,480	$68,553,561	$13,710,712	$1,572
69	Montauk Union Free	$5,830	$5,942	$8,087,100	$5,942	$1,617,420	$10,303,476	$2,060,695	$1,188
70	Mount Sinai Union Free	$9,634	$9,448	$38,008,500	$9,448	$7,601,700	$40,682,227	$8,136,445	$1,890

Label [2]	Name	Median RE Tax – Owner Occ	Mean RE Tax – Owner Occ	Aggregate RE Taxes - Owner Occupied	RE Tax per Owner Occupied	20% of RE Tax -Owner Occupied	Est Total RE –Occupied Unit[3]	20% of Estimated Real Estate Tax - Occupied	Savings Per Occupied Unit
71	New Hyde Park-Garden City Park Union Free	$9,377	$9,005	$57,337,900	$9,005	$11,467,580	$65,929,129	$13,185,826	$1,801
72	New Suffolk Common	$5,000	$5,466	$655,900	$5,466	$131,180	$912,794	$182,559	$1,093
73	North Babylon Union Free	$8,619	$8,271	$64,921,800	$8,271	$12,984,360	$78,751,492	$15,750,298	$1,654
74	North Bellmore Union Free	$10,001	$9,766	$74,446,400	$9,766	$14,889,280	$82,737,754	$16,547,551	$1,953
75	North Merrick Union Free	$10,001	$10,254	$40,843,500	$10,254	$8,168,700	$43,612,203	$8,722,441	$2,051
76	North Shore Central	$10,001	$12,388	$59,921,600	$12,388	$11,984,320	$73,176,947	$14,635,389	$2,478
77	Northport-East Northport Union Free	$8,587	$9,032	$95,759,800	$9,032	$19,151,960	$116,353,305	$23,270,661	$1,806
78	Oceanside Union Free	$9,702	$9,479	$99,618,000	$9,479	$19,923,600	$116,216,260	$23,243,252	$1,896
79	Oyster Bay-East Norwich Central	$10,001	$11,979	$44,524,100	$11,979	$8,904,820	$58,718,627	$11,743,725	$2,396
80	Oysterponds Union Free	$4,780	$5,507	$3,766,500	$5,507	$753,300	$4,185,000	$837,000	$1,101
81	Patchogue-Medford Union Free	$7,291	$7,065	$90,773,200	$7,065	$18,154,640	$128,232,688	$25,646,538	$1,413
82	Plainedge Union Free	$10,001	$10,181	$59,315,000	$10,181	$11,863,000	$64,212,102	$12,842,420	$2,036
83	Plainview-Old Bethpage Central	$10,001	$11,699	$105,357,100	$11,699	$21,071,420	$114,341,583	$22,868,317	$2,340
84	Port Jefferson Union Free	$8,773	$9,263	$21,694,000	$9,263	$4,338,800	$27,761,280	$5,552,256	$1,853
85	Port Washington Union Free	$10,001	$13,628	$102,006,700	$13,628	$20,401,340	$153,943,578	$30,788,716	$2,726
86	Quogue Union Free	$6,414	$7,108	$2,367,000	$7,108	$473,400	$2,857,459	$571,492	$1,422
87	Remsenburg-Speonk Union Free	$5,557	$6,492	$3,583,800	$6,492	$716,760	$4,057,745	$811,549	$1,298
88	Riverhead Central	$5,590	$5,656	$59,449,800	$5,656	$11,889,960	$78,448,171	$15,689,634	$1,131
89	Rockville Centre Union Free	$10,001	$12,255	$72,953,800	$12,255	$14,590,760	$102,096,104	$20,419,221	$2,451
90	Rocky Point Union Free	$7,462	$7,220	$37,176,800	$7,220	$7,435,360	$43,299,528	$8,659,906	$1,444
91	Roosevelt Union Free	$6,891	$6,806	$22,417,700	$6,806	$4,483,540	$32,047,647	$6,409,529	$1,361
92	Roslyn Union Free	$10,001	$15,680	$79,432,800	$15,680	$15,886,560	$94,563,604	$18,912,721	$3,136
93	Sachem Central	$7,377	$7,126	$157,653,900	$7,126	$31,530,780	$193,794,943	$38,758,989	$1,425
94	Sag Harbor Union Free	$5,586	$6,743	$15,981,400	$6,743	$3,196,280	$19,413,692	$3,882,738	$1,349
95	Sagaponack Common	$7,798	$7,908	$735,400	$7,908	$147,080	$774,938	$154,988	$1,582
96	Sayville Union Free	$9,823	$9,966	$50,171,100	$9,966	$10,034,220	$62,200,603	$12,440,121	$1,993
97	Seaford Union Free	$10,001	$9,929	$48,444,500	$9,929	$9,688,900	$54,680,029	$10,936,006	$1,986
98	Shelter Island Union Free	$3,706	$4,338	$4,294,800	$4,338	$858,960	$4,897,807	$979,561	$868
99	Shoreham-Wading River Central	$10,001	$9,741	$40,600,700	$9,741	$8,120,140	$42,811,919	$8,562,384	$1,948
100	Smithtown Central	$10,001	$10,541	$176,616,000	$10,541	$35,323,200	$201,471,895	$40,294,379	$2,108
101	South Country Central	$7,572	$7,835	$54,320,400	$7,835	$10,864,080	$80,481,631	$16,096,326	$1,567
102	South Huntington Union Free	$9,115	$9,133	$97,508,800	$9,133	$19,501,760	$118,314,818	$23,662,964	$1,827
103	Southampton Union Free	$4,551	$6,184	$20,541,800	$6,184	$4,108,360	$26,329,616	$5,265,923	$1,237
104	Southold Union Free	$6,963	$6,858	$17,173,500	$6,858	$3,434,700	$19,443,639	$3,888,728	$1,372
105	Springs Union Free	$6,441	$6,448	$13,954,300	$6,448	$2,790,860	$15,547,051	$3,109,410	$1,290

Label [2]	Name	Median RE Tax – Owner Occ	Mean RE Tax – Owner Occ	Aggregate RE Taxes - Owner Occupied	RE Tax per Owner Occupied	20% of RE Tax -Owner Occupied	Est Total RE –Occupied Unit[3]	20% of Estimated Real Estate Tax - Occupied	Savings Per Occupied Unit
106	Syosset Central	$10,001	$14,497	$149,133,800	$14,497	$29,826,760	$163,993,540	$32,798,708	$2,899
107	Three Village Central	$10,001	$11,122	$127,709,000	$11,122	$25,541,800	$143,913,129	$28,782,626	$2,224
108	Tuckahoe Common	$6,834	$7,295	$6,711,700	$3,680	$1,342,340	$4,617,973	$923,595	$736
109	Uniondale Union Free	$7,241	$7,553	$59,246,900	$7,553	$11,849,380	$79,836,784	$15,967,357	$1,511
110	Valley Stream Union Free 13	$9,633	$9,085	$74,958,400	$9,085	$14,991,680	$82,907,570	$16,581,514	$1,817
111	Valley Stream Union Free 24	$8,606	$8,569	$28,304,700	$8,569	$5,660,940	$38,596,539	$7,719,308	$1,714
112	Valley Stream Union Free 30	$8,293	$7,909	$32,799,700	$7,909	$6,559,940	$40,685,232	$8,137,046	$1,582
113	Wainscott Common	$5,517	$6,174	$1,463,300	$6,174	$292,660	$2,025,158	$405,032	$1,235
114	Wantagh Union Free	$10,001	$10,660	$55,956,700	$10,660	$11,191,340	$59,186,816	$11,837,363	$2,132
115	West Babylon Union Free	$9,486	$9,109	$62,696,300	$9,109	$12,539,260	$86,005,879	$17,201,176	$1,822
116	West Hempstead Union Free	$9,376	$9,157	$39,898,300	$9,157	$7,979,660	$47,617,893	$9,523,579	$1,831
117	West Islip Union Free	$10,001	$10,760	$87,211,400	$10,760	$17,442,280	$92,322,494	$18,464,499	$2,152
118	Westbury Union Free	$9,279	$8,977	$43,269,800	$8,977	$8,653,960	$64,249,369	$12,849,874	$1,795
119	Westhampton Beach Union Free	$5,215	$6,085	$10,119,700	$6,085	$2,023,940	$12,900,640	$2,580,128	$1,217
120	William Floyd Union Free	$6,609	$6,553	$77,220,300	$6,553	$15,444,060	$103,170,095	$20,634,019	$1,311
121	Wyandanch Union Free	$6,913	$6,702	$12,667,200	$6,702	$2,533,440	$19,932,409	$3,986,482	$1,340

Notes:

1. All data in this table were obtained or calculated from the 2011-2015 American Community Survey (ACS), U.S. Census Bureau.
2. Labels are indexed to numbers represented on figures located throughout the report.
3. Real estate taxes paid per owner-occupied unit was applied to all housing types (i.e., owner-occupied, renter-occupied and vacant). Vacant units were not used in the calculation.

Appendix G4: GIS Mapping Data Table: Population and Income Data

Label[1]	Name	2015 Pop[2]	Pop Change (10-15)[2]	Per Capita Income[2]	Mean Household Income[2]	Median Household Income[2]	AGI per Capita[4]	AGI Per Household[4]	1% Local Income Tax Per Household[4]
1	Amagansett Union Free	1,422	28.90%	$54,969	$133,850	$84,875	$143,238	$360,505	$3,605
2	Amityville Union Free	28,532	19.40%	$29,434	$85,807	$76,287	$23,772	$73,659	$737
3	Babylon Union Free	11,479	-0.20%	$44,311	$116,120	$95,414	$47,853	$129,065	$1,291
4	Baldwin Union Free	33,255	-0.40%	$36,441	$112,050	$96,779	$33,354	$104,928	$1,049
5	Bay Shore Union Free	37,178	9.30%	$32,142	$97,052	$78,432	$29,432	$91,913	$919
6	Bayport-Blue Point Union Free	13,115	-8.40%	$42,246	$113,151	$87,594	$42,955	$117,489	$1,175
7	Bellmore Union Free	12,155	-2.90%	$48,653	$141,036	$123,159	$53,664	$157,823	$1,578
8	Bethpage Union Free	18,803	-5.40%	$42,007	$119,148	$102,111	$36,750	$106,589	$1,066
9	Brentwood Union Free	88,765	7.10%	$21,780	$85,313	$72,205	$17,214	$73,495	$735
10	Bridgehampton Union Free	989	1.90%	$58,960	$124,811	$72,750	$231,403	$496,436	$4,964
11	Brookhaven-Comsewogue Union Free	25,943	8.90%	$35,316	$107,496	$92,189	$25,688	$80,534	$805
12	Carle Place Union Free	9,604	-2.00%	$43,538	$124,231	$107,258	$40,049	$116,768	$1,168
13	Center Moriches Union Free	7,991	-0.90%	$36,083	$111,903	$90,813	$32,356	$102,807	$1,028
14	Central Islip Union Free	38,047	-2.50%	$23,305	$78,832	$67,267	$19,360	$70,064	$701
15	Cold Spring Harbor Central	8,114	-2.50%	$94,144	$305,327	$204,412	$197,631	$648,695	$6,487
16	Commack Union Free	37,849	1.00%	$46,843	$141,522	$119,788	$46,113	$143,248	$1,432
17	Connetquot Central	39,112	-3.00%	$35,516	$99,442	$85,206	$33,367	$96,372	$964
18	Copiague Union Free	30,960	4.30%	$26,328	$80,025	$65,746	$22,680	$72,458	$725
19	Deer Park Union Free	25,880	-1.70%	$34,077	$98,930	$82,989	$27,702	$83,489	$835
20	East Hampton Union Free	9,131	2.40%	$63,298	$144,172	$87,829	$105,337	$240,879	$2,409
21	East Islip Union Free	24,578	-1.50%	$40,452	$123,969	$111,849	$37,950	$119,903	$1,199
22	East Meadow Union Free	51,977	1.70%	$37,917	$113,197	$96,333	$34,628	$106,926	$1,069

Label[1]	Name	2015 Pop[2]	Pop Change (10-15)[2]	Per Capita Income[2]	Mean Household Income[2]	Median Household Income[2]	AGI per Capita[4]	AGI Per Household[4]	1% Local Income Tax Per Household[4]
23	East Moriches Union Free	6,105	16.90%	$40,490	$112,471	$95,569	$43,179	$123,585	$1,236
24	East Quogue Union Free	4,505	-3.80%	$42,852	$112,499	$88,615	$50,201	$134,216	$1,342
25	East Rockaway Union Free	8,827	-14.00%	$42,116	$106,651	$90,744	$37,587	$96,617	$966
26	East Williston Union Free	8,771	3.40%	$68,528	$211,065	$121,885	$149,408	$470,034	$4,700
27	Eastport-South Manor Central	19,404	10.80%	$37,372	$109,593	$98,961	$32,501	$97,113	$971
28	Elmont Union Free	55,947	8.60%	$30,063	$104,921	$93,635	$24,359	$89,569	$896
29	Elwood Union Free	13,061	1.90%	$43,701	$131,474	$102,109	$43,690	$134,647	$1,346
30	Farmingdale Union Free	41,565	3.90%	$37,589	$107,510	$94,109	$34,105	$100,659	$1,007
31	Fire Island Union Free	376	-14.00%	$44,951	$117,985	$111,250	$65,983	$174,716	$1,747
32	Fishers Island Union Free	339	35.60%	$67,122	$168,193	$151,083	$60,404	$152,813	$1,528
33	Floral Park-Bellerose Union Free	20,142	-0.70%	$44,165	$125,821	$102,469	$42,215	$123,285	$1,233
34	Franklin Square Union Free	26,461	9.70%	$35,638	$109,448	$97,018	$31,258	$99,570	$996
35	Freeport Union Free	40,240	0.80%	$27,133	$83,847	$70,136	$21,800	$70,659	$707
36	Garden City Union Free	22,575	2.60%	$65,725	$198,884	$153,506	$105,342	$323,815	$3,238
37	Glen Cove City	27,245	1.90%	$37,152	$102,443	$68,362	$35,116	$100,572	$1,006
38	Great Neck Union Free	44,975	2.50%	$53,852	$152,151	$100,343	$92,127	$265,892	$2,659
39	Greenport Union Free	4,462	-3.30%	$36,538	$81,487	$56,123	$29,107	$67,259	$673
40	Half Hollow Hills Central	47,228	-2.60%	$55,405	$167,102	$122,009	$74,378	$229,364	$2,294
41	Hampton Bays Union Free	12,357	-3.90%	$35,513	$88,336	$73,682	$32,707	$84,481	$845
42	Harborfields Central	19,217	4.20%	$49,516	$142,882	$100,694	$53,886	$158,435	$1,584
43	Hauppauge Union Free	22,937	-0.80%	$41,481	$119,739	$106,250	$41,537	$123,539	$1,235
44	Hempstead Union Free	44,517	3.50%	$20,411	$64,355	$49,098	$15,796	$53,504	$535

Label[1]	Name	2015 Pop[2]	Pop Change (10-15)[2]	Per Capita Income[2]	Mean Household Income[2]	Median Household Income[2]	AGI per Capita[4]	AGI Per Household[4]	1% Local Income Tax Per Household[4]
45	Herricks Union Free	24,900	-1.10%	$51,082	$149,013	$118,393	$63,906	$189,233	$1,892
46	Hewlett-Woodmere Union Free	19,096	-6.70%	$56,290	$167,233	$121,130	$74,645	$225,362	$2,254
47	Hicksville Union Free	41,060	4.70%	$37,184	$113,085	$94,828	$30,198	$95,717	$957
48	Huntington Union Free	36,403	6.10%	$45,465	$128,115	$94,642	$48,684	$141,001	$1,410
49	Island Park Union Free	8,449	-0.20%	$36,086	$94,824	$72,292	$29,557	$80,871	$809
50	Island Trees Union Free	15,653	-2.20%	$34,557	$105,144	$94,439	$30,777	$96,409	$964
51	Islip Union Free	18,974	-4.20%	$40,696	$117,179	$96,630	$37,596	$111,339	$1,113
52	Jericho Union Free	17,023	9.20%	$64,725	$224,143	$148,750	$129,597	$453,470	$4,535
53	Kings Park Central	22,873	0.00%	$46,055	$131,798	$105,050	$42,761	$125,296	$1,253
54	Lawrence Union Free	35,738	0.80%	$44,513	$140,131	$91,694	$76,960	$247,136	$2,471
55	Levittown Union Free	45,979	-2.80%	$37,189	$110,824	$99,828	$34,339	$105,567	$1,056
56	Lindenhurst Union Free	42,117	0.90%	$32,301	$94,980	$82,445	$26,979	$82,722	$827
57	Locust Valley Central	15,307	-1.30%	$67,207	$185,248	$111,720	$135,041	$377,687	$3,777
58	Long Beach City	38,800	0.50%	$50,439	$113,828	$90,671	$43,211	$100,184	$1,002
59	Longwood Central	66,356	3.50%	$33,217	$86,836	$73,084	$25,238	$68,185	$682
60	Lynbrook Union Free	18,255	7.80%	$45,623	$124,801	$95,644	$43,657	$121,729	$1,217
61	Malverne Union Free	16,085	10.20%	$36,873	$112,595	$95,286	$31,640	$100,184	$1,002
62	Manhasset Union Free	15,698	-6.10%	$84,960	$253,630	$162,552	$171,653	$520,294	$5,203
63	Massapequa Union Free	47,449	-0.60%	$43,829	$133,776	$115,581	$47,023	$147,526	$1,475
64	Mattituck-Cutchogue Union Free	9,787	10.10%	$42,331	$105,324	$78,917	$40,393	$102,073	$1,021
65	Merrick Union Free	16,941	-2.40%	$56,027	$161,654	$130,169	$67,152	$196,142	$1,961
66	Middle Country Central	64,786	2.10%	$31,614	$97,407	$88,874	$26,432	$84,691	$847
67	Miller Place Union Free	15,132	-5.30%	$41,475	$121,924	$97,243	$42,253	$126,532	$1,265

Label[1]	Name	2015 Pop[2]	Pop Change (10-15)[2]	Per Capita Income[2]	Mean Household Income[2]	Median Household Income[2]	AGI per Capita[4]	AGI Per Household[4]	1% Local Income Tax Per Household[4]
68	Mineola Union Free	23,630	2.30%	$40,478	$106,455	$89,016	$35,963	$97,456	$975
69	Montauk Union Free	3,495	10.70%	$47,685	$93,491	$72,903	$55,243	$111,346	$1,113
70	Mount Sinai Union Free	12,788	5.20%	$43,673	$127,541	$110,980	$51,221	$152,117	$1,521
71	New Hyde Park-Garden City Park Union Free	24,041	7.20%	$37,215	$118,619	$104,484	$35,323	$115,994	$1,160
72	New Suffolk Common	310	64.90%	$50,335	$89,750	NA	NA	NA	NA
73	North Babylon Union Free	29,274	-6.60%	$33,803	$99,723	$87,376	$29,809	$91,655	$917
74	North Bellmore Union Free	26,222	0.80%	$40,551	$122,065	$105,976	$38,872	$120,313	$1,203
75	North Merrick Union Free	13,552	-1.60%	$43,277	$134,589	$116,141	$43,728	$139,337	$1,393
76	North Shore Central	16,429	2.60%	$59,500	$163,920	$124,219	$76,438	$212,594	$2,126
77	Northport-East Northport Union Free	35,561	-5.30%	$45,493	$123,044	$100,563	$50,048	$138,159	$1,382
78	Oceanside Union Free	34,671	-3.20%	$41,415	$114,389	$96,299	$42,674	$120,680	$1,207
79	Oyster Bay-East Norwich Central	13,078	11.90%	$69,330	$181,481	$115,188	$167,248	$446,199	$4,462
80	Oysterponds Union Free	1,540	-14.50%	$47,548	$94,543	$75,882	$58,243	$118,020	$1,180
81	Patchogue-Medford Union Free	51,948	2.00%	$32,609	$89,438	$77,694	$27,399	$78,420	$784
82	Plainedge Union Free	19,856	-2.70%	$38,547	$117,918	$108,446	$38,038	$119,754	$1,198
83	Plainview-Old Bethpage Central	28,705	1.00%	$50,875	$147,252	$125,076	$53,638	$157,528	$1,575
84	Port Jefferson Union Free	7,744	-3.90%	$60,927	$153,388	$124,033	$90,292	$233,308	$2,333
85	Port Washington Union Free	31,606	2.90%	$63,642	$175,630	$104,817	$95,121	$266,147	$2,661
86	Quogue Union Free	892	10.40%	$57,354	$125,889	$82,500	$149,124	$330,892	$3,309
87	Remsenburg-Speonk Union Free	1,407	-10.70%	$50,554	$112,395	$103,969	$76,351	$171,882	$1,719
88	Riverhead Central	40,720	7.90%	$30,008	$82,550	$60,525	$24,453	$71,790	$718

Label[1]	Name	2015 Pop[2]	Pop Change (10-15)[2]	Per Capita Income[2]	Mean Household Income[2]	Median Household Income[2]	AGI per Capita[4]	AGI Per Household[4]	1% Local Income Tax Per Household[4]
89	Rockville Centre Union Free	22,225	0.80%	$55,904	$147,213	$107,385	$73,818	$196,927	$1,969
90	Rocky Point Union Free	17,671	2.50%	$35,202	$101,240	$90,841	$30,540	$89,989	$900
91	Roosevelt Union Free	17,875	12.30%	$22,496	$79,914	$66,866	$17,881	$67,876	$679
92	Roslyn Union Free	17,905	5.70%	$63,364	$185,488	$125,754	$100,705	$298,977	$2,990
93	Sachem Central	82,930	-1.70%	$37,107	$109,171	$95,961	$31,273	$95,357	$954
94	Sag Harbor Union Free	7,075	7.00%	$59,295	$144,169	$86,181	$81,758	$200,917	$2,009
95	Sagaponack Common	204	-13.20%	$139,067	$289,638	$208,000	NA	NA	NA
96	Sayville Union Free	18,111	2.50%	$45,516	$127,445	$108,914	$40,203	$116,668	$1,167
97	Seaford Union Free	16,728	2.30%	$41,867	$123,682	$107,198	$38,883	$118,109	$1,181
98	Shelter Island Union Free	2,812	8.00%	$53,451	$133,694	$94,492	$53,436	$133,094	$1,331
99	Shoreham-Wading River Central	12,390	-4.40%	$45,529	$125,225	$116,158	$40,616	$114,501	$1,145
100	Smithtown Central	57,936	2.10%	$46,319	$136,303	$112,822	$55,229	$167,411	$1,674
101	South Country Central	30,446	5.10%	$31,793	$89,767	$71,377	$25,506	$75,600	$756
102	South Huntington Union Free	38,941	0.00%	$39,076	$114,491	$92,240	$35,512	$106,752	$1,068
103	Southampton Union Free	10,297	-0.30%	$64,653	$152,004	$86,382	$149,138	$360,655	$3,607
104	Southold Union Free	6,676	8.20%	$55,140	$124,699	$89,236	$41,615	$97,998	$980
105	Springs Union Free	6,065	61.10%	$51,881	$128,083	$83,949	$37,614	$94,620	$946
106	Syosset Central	34,196	-2.20%	$69,685	$207,221	$151,179	$86,461	$261,369	$2,614
107	Three Village Central	46,650	-1.60%	$43,647	$151,617	$123,592	$66,730	$240,569	$2,406
108	Tuckahoe Common	3,269	-8.40%	$52,870	$134,665	$89,663	$169,771	$442,217	$4,422
109	Uniondale Union Free	43,660	4.10%	$26,418	$101,381	$81,616	$21,616	$89,287	$893
110	Valley Stream Union Free 13	29,411	3.40%	$35,421	$110,425	$102,451	$33,785	$108,881	$1,089
111	Valley Stream Union Free 24	14,534	6.70%	$30,766	$96,573	$76,461	$28,537	$92,085	$921

Label[1]	Name	2015 Pop[2]	Pop Change (10-15)[2]	Per Capita Income[2]	Mean Household Income[2]	Median Household Income[2]	AGI per Capita[4]	AGI Per Household[4]	1% Local Income Tax Per Household[4]
112	Valley Stream Union Free 30	17,805	1.60%	$33,765	$110,263	$92,500	$28,696	$99,325	$993
113	Wainscott Common	757	65.60%	$40,481	$89,932	$60,938	NA	NA	NA
114	Wantagh Union Free	17,670	4.40%	$50,795	$159,228	$129,150	$47,230	$150,317	$1,503
115	West Babylon Union Free	28,263	-3.40%	$33,776	$97,068	$81,943	$28,337	$84,823	$848
116	West Hempstead Union Free	16,653	2.70%	$37,908	$118,801	$96,348	$37,474	$120,011	$1,200
117	West Islip Union Free	26,946	-5.90%	$41,033	$124,337	$110,514	$40,831	$128,233	$1,282
118	Westbury Union Free	26,389	6.80%	$28,115	$97,734	$76,215	$28,604	$105,466	$1,055
119	Westhampton Beach Union Free	5,442	-11.30%	$50,357	$125,460	$88,879	$54,837	$140,767	$1,408
120	William Floyd Union Free	50,051	1.90%	$26,162	$80,117	$70,154	$21,048	$66,911	$669
121	Wyandanch Union Free	11,537	5.80%	$20,796	$75,133	$59,423	$15,383	$59,673	$597

Notes:

1. Labels are indexed to numbers represented on figures located throughout the report.
2. Data obtained from the 2011-2015 American Community Survey (ACS), U.S. Census Bureau.
3. Data obtained from New York State Office of State Comptrollers (OSC) (2014).
4. Variable calculated by dividing adjusted gross income (AGI) from OSC by population/household data from ACS.
5. NA=Not applicable

Appendix G5: GIS Mapping Data Table: Additional Variables

Label[1]	Name	Economic Impact per Household from 20%/1%[2]	Tax Levy[3]	Student Enroll[4]	Tax Levy per Student[5]	Full Market Property Value (Million)[3]	Prop Val to AGI Ratio[6]	CWR[4]
1	Amagansett Union Free	-$2,154	$9,723,637	$93	$104,555	$4,091	20.1	19.632
2	Amityville Union Free	$827	$58,071,338	$2,986	$19,448	$2,448	3.6	0.98
3	Babylon Union Free	$819	$39,643,538	$1,565	$25,331	$1,464	2.7	1.351
4	Baldwin Union Free	$833	$94,583,406	$4,730	$19,996	$3,155	2.8	0.926
5	Bay Shore Union Free	$944	$104,654,966	$5,879	$17,801	$3,665	3.3	0.849
6	Bayport-Blue Point Union Free	$990	$48,997,743	$2,283	$21,462	$1,649	2.9	0.959
7	Bellmore Union Free	$670	$49,940,150	$993	$50,292	$1,910	2.9	1.364
8	Bethpage Union Free	$633	$66,072,222	$2,880	$22,942	$2,877	4.2	1.187
9	Brentwood Union Free	$526	$106,390,768	$18,492	$5,753	$5,209	3.4	0.349
10	Bridgehampton Union Free	-$3,682	$11,571,359	$182	$63,579	$6,355	27.8	30.785
11	Brookhaven-Comsewogue Union Free	$764	$54,386,418	$3,732	$14,573	$2,290	3.4	0.808
12	Carle Place Union Free	$751	$42,323,209	$1,370	$30,893	$2,060	5.4	1.517
13	Center Moriches Union Free	$803	$22,316,008	$1,659	$13,451	$872	3.4	0.749
14	Central Islip Union Free	$773	$91,330,322	$7,021	$13,008	$2,633	3.6	0.472
15	Cold Spring Harbor Central	-$2,730	$60,775,666	$1,804	$33,689	$3,143	2	3.214
16	Commack Union Free	$818	$130,693,310	$6,528	$20,020	$5,722	3.3	1.107
17	Connetquot Central	$672	$124,961,188	$6,031	$20,720	$5,146	3.9	1.013
18	Copiague Union Free	$833	$60,695,516	$5,015	$12,103	$2,426	3.5	0.612
19	Deer Park Union Free	$747	$69,480,130	$3,989	$17,418	$2,712	3.8	0.813
20	East Hampton Union Free	-$920	$49,016,319	$1,807	$27,126	$12,893	13.4	7.445
21	East Islip Union Free	$830	$73,420,002	$3,851	$19,065	$2,666	2.9	0.929
22	East Meadow Union Free	$628	$140,259,902	$7,028	$19,957	$5,578	3.1	1.065
23	East Moriches Union Free	$681	$19,346,965	$733	$26,394	$787	3	0.952
24	East Quogue Union Free	-$106	$21,055,687	$423	$49,777	$1,748	7.7	2.212
25	East Rockaway Union Free	$644	$28,760,630	$1,172	$24,540	$1,114	3.4	1.23
26	East Williston Union Free	-$1,402	$52,207,620	$1,711	$30,513	$2,191	1.7	2.269
27	Eastport-South Manor Central	$745	$52,240,816	$3,525	$14,820	$2,098	3.3	0.766
28	Elmont Union Free	$751	$101,839,766	$3,601	$28,281	$4,165	3.1	0.791
29	Elwood Union Free	$845	$145,992,255	$2,279	$64,060	$6,047	10.6	1.059
30	Farmingdale Union Free	$783	$122,986,210	$5,762	$21,344	$5,015	3.5	1.12
31	Fire Island Union Free	-$296	$5,039,158	$33	$152,702	$2,238	90.2	49.963

Label[1]	Name	Economic Impact per Household from 20%/1%[2]	Tax Levy[3]	Student Enroll[4]	Tax Levy per Student[5]	Full Market Property Value (Million)[3]	Prop Val to AGI Ratio[6]	CWR[4]
32	Fishers Island Union Free	$639	$3,219,938	$70	$45,999	$720	35.2	16.917
33	Floral Park-Bellerose Union Free	$725	$48,770,287	$1,458	$33,450	$2,452	2.9	1.217
34	Franklin Square Union Free	$751	$58,689,950	$1,857	$31,605	$2,747	3.3	1.019
35	Freeport Union Free	$960	$93,515,051	$6,874	$13,604	$4,085	4.7	0.602
36	Garden City Union Free	-$310	$98,376,806	$3,848	$25,566	$6,261	2.6	2.409
37	Glen Cove City	$967	$67,411,719	$3,179	$21,205	$3,680	3.8	1.501
38	Great Neck Union Free	-$225	$205,810,489	$6,394	$32,188	$13,586	3.3	2.927
39	Greenport Union Free	$295	$12,917,891	$644	$20,059	$1,333	10.3	2.067
40	Half Hollow Hills Central	$119	$198,002,048	$8,491	$23,319	$10,611	3	1.523
41	Hampton Bays Union Free	$466	$43,933,306	$2,091	$21,011	$3,203	7.9	1.563
42	Harborfields Central	$709	$64,896,583	$3,226	$20,117	$2,857	2.8	1.266
43	Hauppauge Union Free	$382	$83,708,101	$3,638	$23,009	$4,836	5.1	1.451
44	Hempstead Union Free	$1,377	$74,141,076	$8,582	$8,639	$3,156	4.5	0.342
45	Herricks Union Free	$643	$93,325,352	$3,891	$23,985	$4,070	2.6	1.471
46	Hewlett-Woodmere Union Free	$384	$105,052,612	$2,938	$35,757	$3,169	2.2	1.733
47	Hicksville Union Free	$456	$106,220,382	$5,230	$20,310	$6,044	4.9	1.354
48	Huntington Union Free	$653	$109,122,469	$4,471	$24,407	$5,042	2.8	1.648
49	Island Park Union Free	$682	$32,587,140	$704	$46,289	$2,178	8.7	2.178
50	Island Trees Union Free	$636	$42,488,262	$2,231	$19,044	$1,674	3.5	0.928
51	Islip Union Free	$812	$57,539,190	$2,843	$20,239	$2,021	2.8	1.159
52	Jericho Union Free	-$1,333	$111,767,267	$2,999	$37,268	$5,254	2.4	2.667
53	Kings Park Central	$708	$64,344,245	$3,398	$18,936	$3,497	3.6	1.22
54	Lawrence Union Free	-$539	$86,574,927	$2,645	$32,732	$6,595	2.4	3.573
55	Levittown Union Free	$766	$140,534,500	$7,085	$19,835	$4,168	2.6	0.818
56	Lindenhurst Union Free	$882	$96,350,059	$6,062	$15,894	$3,491	3.1	0.776
57	Locust Valley Central	-$1,220	$76,058,197	$2,087	$36,444	$4,329	2.1	3.503
58	Long Beach City	$686	$99,434,146	$3,673	$27,072	$5,636	3.4	2.047
59	Longwood Central	$656	$134,457,968	$8,991	$14,955	$5,438	3.2	0.792
60	Lynbrook Union Free	$993	$66,358,631	$2,768	$23,973	$2,657	3.3	1.263
61	Malverne Union Free	$994	$40,816,759	$1,659	$24,603	$1,497	2.9	1.095
62	Manhasset Union Free	-$1,986	$85,778,037	$3,329	$25,767	$6,203	2.3	3.039
63	Massapequa Union Free	$594	$161,344,763	$7,124	$22,648	$6,812	3.1	1.322
64	Mattituck-Cutchogue Union Free	$572	$37,966,159	$1,224	$31,018	$3,435	8.7	2.444
65	Merrick Union Free	$583	$75,457,929	$1,470	$51,332	$2,766	2.4	1.391

Label[1]	Name	Economic Impact per Household from 20%/1%[2]	Tax Levy[3]	Student Enroll[4]	Tax Levy per Student[5]	Full Market Property Value (Million)[3]	Prop Val to AGI Ratio[6]	CWR[4]
66	Middle Country Central	$671	$145,810,022	$9,466	$15,404	$5,549	3.2	0.772
67	Miller Place Union Free	$692	$45,670,678	$2,713	$16,834	$1,822	2.8	0.939
68	Mineola Union Free	$598	$79,045,205	$2,695	$29,330	$3,975	4.7	1.732
69	Montauk Union Free	$75	$17,567,225	$311	$56,486	$4,273	22.1	7.482
70	Mount Sinai Union Free	$368	$39,524,716	$2,352	$16,805	$1,620	2.5	1.059
71	New Hyde Park-Garden City Park Union Free	$641	$67,847,445	$1,678	$40,434	$3,292	3.9	1.223
72	New Suffolk Common	$1,093	$955,352	$13	$73,489	$203	NA	NA
73	North Babylon Union Free	$738	$64,422,990	$4,662	$13,819	$2,592	3	0.765
74	North Bellmore Union Free	$750	$71,406,942	$2,100	$34,003	$2,659	2.6	0.954
75	North Merrick Union Free	$658	$41,518,271	$1,188	$34,948	$1,457	2.5	0.971
76	North Shore Central	$352	$87,886,066	$2,687	$32,708	$4,308	3.4	2.216
77	Northport-East Northport Union Free	$425	$148,092,467	$5,581	$26,535	$9,063	5.1	1.775
78	Oceanside Union Free	$689	$121,335,591	$5,578	$21,753	$5,716	3.9	1.267
79	Oyster Bay-East Norwich Central	-$2,066	$52,259,468	$1,569	$33,308	$3,761	1.7	5.025
80	Oysterponds Union Free	-$79	$5,424,188	$70	$77,488	$1,153	12.9	7.124
81	Patchogue-Medford Union Free	$629	$109,034,614	$7,551	$14,440	$4,550	3.2	0.804
82	Plainedge Union Free	$839	$66,001,271	$3,035	$21,747	$2,229	3	0.968
83	Plainview-Old Bethpage Central	$764	$128,361,866	$4,865	$26,385	$5,186	3.4	1.422
84	Port Jefferson Union Free	-$480	$37,040,695	$1,074	$34,489	$2,521	3.6	2.804
85	Port Washington Union Free	$64	$136,373,273	$5,283	$25,814	$7,270	2.4	2.284
86	Quogue Union Free	-$1,887	$7,332,729	$91	$80,579	$3,442	25.9	22.686
87	Remsenburg-Speonk Union Free	-$420	$11,666,565	$161	$72,463	$2,041	19	4.801
88	Riverhead Central	$413	$94,822,978	$5,697	$16,644	$5,934	6	1.247
89	Rockville Centre Union Free	$482	$92,057,478	$3,533	$26,056	$3,623	2.2	1.723
90	Rocky Point Union Free	$544	$46,928,960	$3,192	$14,702	$1,810	3.4	0.728
91	Roosevelt Union Free	$682	$22,689,410	$3,818	$5,943	$956	3	0.413
92	Roslyn Union Free	$146	$96,415,226	$3,138	$30,725	$4,366	2.4	2.227
93	Sachem Central	$472	$175,935,261	$13,562	$12,973	$9,001	3.5	0.86
94	Sag Harbor Union Free	-$661	$35,622,006	$959	$37,145	$6,373	11	5.517
95	Sagaponack Common	$1,582	$2,286,381	$11	$207,853	$4,328	NA	NA
96	Sayville Union Free	$827	$61,685,432	$2,983	$20,679	$2,113	2.9	0.994
97	Seaford Union Free	$805	$50,140,502	$2,283	$21,963	$1,966	3	1.136
98	Shelter Island Union Free	-$463	$9,810,527	$217	$45,210	$3,097	20.6	10.246

Label[1]	Name	Economic Impact per Household from 20%/1%[2]	Tax Levy[3]	Student Enroll[4]	Tax Levy per Student[5]	Full Market Property Value (Million)[3]	Prop Val to AGI Ratio[6]	CWR[4]
99	Shoreham-Wading River Central	$803	$49,260,311	$2,313	$21,297	$2,362	4.7	1.146
100	Smithtown Central	$434	$178,812,788	$9,405	$19,013	$8,632	2.7	1.295
101	South Country Central	$811	$59,494,039	$4,346	$13,689	$2,766	3.6	0.814
102	South Huntington Union Free	$759	$114,434,727	$5,976	$19,149	$4,945	3.6	1.045
103	Southampton Union Free	-$2,370	$54,616,537	$1,579	$34,589	$21,005	13.7	12.06
104	Southold Union Free	$392	$25,840,292	$783	$33,002	$2,578	9.3	2.936
105	Springs Union Free	$343	$24,228,337	$713	$33,981	$3,327	14.6	2.64
106	Syosset Central	$286	$197,150,539	$6,247	$31,559	$8,341	2.8	1.974
107	Three Village Central	-$181	$144,811,624	$6,458	$22,424	$5,977	1.9	1.659
108	Tuckahoe Common	-$3,686	$17,241,870	$314	$54,910	$2,270	4.1	2.029
109	Uniondale Union Free	$618	$120,792,495	$6,736	$17,932	$7,824	8.3	0.774
110	Valley Stream Union Free 13	$728	$67,499,583	$2,048	$32,959	$2,699	2.7	0.965
111	Valley Stream Union Free 24	$793	$38,938,323	$1,100	$35,398	$1,535	3.7	0.882
112	Valley Stream Union Free 30	$589	$57,580,741	$1,537	$37,463	$2,508	4.9	0.886
113	Wainscott Common	$1,235	$2,586,320	$80	$32,329	$2,135	NA	NA
114	Wantagh Union Free	$629	$59,292,807	$3,012	$19,686	$2,324	2.8	1.034
115	West Babylon Union Free	$974	$70,440,066	$3,973	$17,730	$2,670	3.3	0.864
116	West Hempstead Union Free	$631	$46,228,899	$2,033	$22,739	$1,876	3	1.292
117	West Islip Union Free	$870	$82,768,240	$4,472	$18,508	$3,245	2.9	0.962
118	Westbury Union Free	$741	$77,920,181	$4,934	$15,792	$2,937	3.9	0.691
119	Westhampton Beach Union Free	-$191	$29,291,104	$1,789	$16,373	$4,341	14.5	4.19
120	William Floyd Union Free	$641	$102,911,348	$8,651	$11,896	$3,513	3.3	0.553
121	Wyandanch Union Free	$744	$22,345,733	$2,380	$9,389	$786	4.4	0.388

Notes:

1. Labels are indexed to numbers represented on figures located throughout the report.
2. Variable calculated by subtracting estimated local income tax of 1% from the estimated real estate tax savings of 20%. Positive numbers are net savings, and negative number represents a net loss.
3. Data obtained from New York State Office of State Comptrollers (OSC) (2015).
4. Data obtained from New York State Education Department (NYSED) (2015-2016 School Year).
5. Variable calculated by dividing tax levy by student enrollment.
6. Variable calculated by dividing full market property value to estimated adjusted gross income (AGI).
7. NA=Not applicable

Appendix G6: GIS Mapping Data Table: Town and City Data

Town/City	Housing Units[1]	Housing Units – Occupied[1]	Housing Units - Owner Occupied[1]	Agg RE Taxes ($m)[1]	RE Taxes Paid per Owner-Occupied[1]	Estimated Real Estate Taxes Paid ($m)[1]	2000 Pop[2]	2010 Pop[2]	Pop Change[2]
Babylon	73,242	68,789	50,799	$426	$8,392	$615	211,792	213,603	0.90%
Brookhaven	175,006	161,258	127,926	$1,010	$7,897	$1,382	448,248	486,040	8.40%
East Hampton	23,275	10,794	8,723	$58	$6,701	$156	19,719	21,457	8.80%
Glen Cove (City)	10,043	9,513	4,880	$48	$9,865	$99	26,622	26,964	1.30%
Hempstead	254,868	241,539	194,457	$1,865	$9,589	$2,444	755,924	759,757	0.50%
Huntington	73,147	69,000	58,216	$634	$10,884	$796	195,289	203,264	4.10%
Islip	108,192	100,024	76,776	$655	$8,530	$923	322,612	355,543	10.20%
Long Beach (City)	16,748	14,556	8,262	$65	$7,916	$133	35,462	33,275	-6.20%
North Hempstead	81,828	76,523	59,940	$723	$12,065	$987	222,611	226,322	1.70%
Oyster Bay	103,769	98,509	86,238	$932	$10,802	$1,121	293,925	293,214	-0.20%
Riverhead	15,601	12,841	9,974	$66	$6,609	$103	27,680	33,506	21.00%
Shelter Island	2,901	1,129	990	$4	$4,338	$13	2,228	2,392	7.40%
Smithtown	41,055	39,425	34,752	$354	$10,173	$418	115,715	117,801	1.80%
Southampton	41,743	21,105	16,438	$103	$6,293	$263	54,712	56,790	3.80%
Southold	16,032	9,484	7,796	$54	$6,882	$110	20,599	21,968	6.60%

Notes:

1. Data obtained or calculated from the 2011-2015 American Community Survey (ACS), U.S. Census Bureau.
2. Data obtained or calculated from the 2000 and 2010 Decennial Census, U.S. Census Bureau (compiled by the NYS GIS program office).

Appendix H: Additional Ramifications from the TCJA

There may be other methods that could be used to lessen the impact of the TCJA. There were significant changes made to the federal corporate income tax that may provide states (including New York) an opportunity to increase corporate income taxes – which could be used to offset some of the PIT impact of the change in the deduction for SALT.

Among its changes, the TCJA permanently cuts the corporate tax rate, lowering the top rate from 35 percent to 21 percent. It moves the U.S. to a territorial tax system, in which only domestic profits are taxed, not income earned abroad. It imposes a one-time "deemed" repatriation tax on foreign earnings at reduced rates. And, it makes a number of changes to other business credits and deductions, including limiting the deductions for interest expenses and research and development expenditures.

Every state with an individual or corporate income tax conforms to some or all of the components of the federal internal revenue code (IRC). Conformance provides a number of advantages for tax filers and tax administrators. Common definitions help reduce the costs of filing and compliance and effectively allow the states to piggyback on federal compliance initiatives. Conformance also reduces compliance issues for businesses with locations in multiple states.

States generally choose to either automatically conform to changes to the IRC, (known as rolling conformity) or do so selectively (known as static conformity). New York currently automatically conforms to the IRC with respect to the individual income tax but does so selectively for the corporate income tax components of the IRC. Of course, the State may elect to move to static conformity on the individual income tax side or rolling conformity on the corporate income tax side, although that would require a statutory change.

On the corporate income tax side, a variety of 'base broadening' measures were included (as well as a few that narrow the corporate income tax base), which helped to lessen some of the impact from the significant corporate income tax rate reduction. Because all states set their corporate income tax rate separate from the federal rate (and all are significantly lower than the federal rate), states may benefit from the broadened base if they choose to conform with some of the changes – and conversely would also benefit should they choose to not conform with some of the components that narrow the corporate income tax base. The following are some of the key issues as it relates to conformity and their impact on New York State corporate income tax revenue:[114]

- Treatment of Deferred Foreign Income Upon Transition to Participation Exemption System of Taxation (Deemed Repatriation). The DTF estimates a potential revenue gain of $60 million.
- Current Year Inclusion of Global Intangible Low-Taxed Income by U.S. Shareholders. The DTF estimates a potential revenue gain of approximately $30 million.
- Dividends Received Deduction for Foreign-Source Portion of Dividends Received by Domestic Corporations from Certain Foreign Corporations. The DTF estimates a potential revenue gain of $4 million.
- Limit Deductions for Business Interest Expenses. The DTF estimates a potential revenue gain of $45 million.
- Limiting Deductions for Employee Fringe Benefits. The DTF estimates a potential revenue gain of $15 million.
- Limits on Tax-Deferred Like-Kind Exchanges. The DTF estimates a potential revenue gain of $3 million.

[114] "Preliminary Report on the Federal Tax Cuts and Jobs Act," New York State Department of Taxation and Finance, January 2018.

- Limit on FDIC premiums deducted for large financial institutions. The DTF estimates a potential revenue gain of $60 million.
- Eliminate the exclusion for interest generated by advance refunding of bonds. The DTF estimates a potential revenue gain of $4 million.
- Increase expensing limit for small businesses. The DTF estimates a potential revenue loss of $17.5 million.
- Changed threshold for eligibility for using cash versus accrual accounting method. The DTF estimates a potential revenue loss of $30 million.
- Opportunity Zones tax incentive changes. The DTF estimates a potential revenue loss of $7 million.