




Local Income Tax for School Finance In New York State


Presented by: Art Friedson, NYS Dept. of Tax & Finance, Office of Tax Policy Analysis

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In NYS, schools are funded from a combination of sources. In 2003-04

- 49% from local revenues.
 - Property taxes comprise 90%.
 - STAR to help reduce burden
- 44% from state aid and grants.
- 7% from federal gov't.



NYS tax burden is competitive with other states when comparing state taxes only.

- In FY 2005, NYS ranked 27th with a burden of \$68 per \$1,000 of personal income.
- National average was just under \$67 per \$1,000.



The story is completely different when looking at state and local taxes.

- In FY 2002, NYS had the highest burden in the US at \$131 per \$1,000.
- National average was \$104 per \$1,000.
- Property taxes per \$1,000 of income were 28% above the national average.



School Finance in NYS

- Just under 700 school districts with annual budgets approved by voters
- Financed primarily through property tax and state aid.
- Some local sales tax, and consumer utility taxes.
- Big 5 districts have school budgets as part of city budget – no direct vote.



Education Finance Litigation

- CFE suit in 1990s
 - level of funding for NYC schools did not provide for a sound basic education.
- Court of Appeals found for plaintiff and set a 7/04 deadline for legislative remedy.
- 3 referees found need for additional funding of \$5.6 B over 4 years and capital spending of \$9.2 B over 5 years.
- Litigation continues and pressure builds for resolution.



High Property Taxes in NYS

- Single largest tax in NYS
 - over \$38 B in 2005
 - more than \$34 B from NYS & NYC PIT
- Grown by 42% since 2000
- Higher growth downstate



Local Income Taxes in NYS

- NYC
 - conforms to state base
 - own rates with top rate of 3.648%
 - No nonresident tax
- Yonkers
 - piggyback on state liability @10%
 - do tax nonresident earnings



Local Income Taxes in NYS

- Both Local PITs are for general municipal purposes
- NYC & Yonkers are Big 5 districts so these local PITs indirectly go towards their school budgets.



Interest in School District PIT

- We have seen growing interest in the past year for school district PIT to either replace or in addition to property tax.
- At least 3 bills introduced in Legislature, none went anywhere.



Issues to Consider for a Local PIT

- Tax base – broad or narrow
- Local or State administration
- Geographic imposition
- Additional tax or tax swap
 - winners & losers
- Spending limits
- Federal & State tax implications
- Regional impacts