

## Geography Matters



➤ **Commute In:**  
**650,000\***

➤ **Commute Out:**  
**240,000\*\***

Source: \* NYDTF, OPA 2005 Personal Income Tax Study File  
\*\*U.S. Census Bureau's 2005 American Community Survey

## The Mobile Workforce State Income Tax Fairness & Simplification Act of 2007

### Revenue Impact Estimation Technique

- Use OPA's 2005 PIT Study File – Full-Year Nonresidents
- Develop a Days In NY Proxy – Ratio of New York wages to Federal wages
  - Assume a 240 day work year
  - Example: 25% ratio = 60 days in New York
- Sum NY wages corresponding to each ratio (i.e. day count)
- Apply 6.1% marginal tax rate to total NY wages
- Grow wages from 2005 to 2008 using Division of the Budget's forecast
  - Wages grew 19.4% between 2005 and 2008 or 6.1% per year

## **The Mobile Workforce State Income Tax Fairness & Simplification Act of 2007**

### **Revenue Impact Estimation Technique (continued)**

- Take into account New York residents working in other states
  - Use resident credit as proxy for wages earned in 'other states'
    - Divide resident credit by 4.5% (estimated tax rate from 'other states')
  - Develop a Days Outside NY Proxy – Ratio of 'other state' wages to New York wages
- Apply 6.1% marginal tax rate
- Grow wages from 2005 to 2008 using Division of the Budget's forecast
  - Wages grew 19.4% between 2005 and 2008 or 6.1% per year

### **2008 Estimated Revenue Impact on New York from COST Bill (H.R. 3359)**

<b>Day Count</b>	<b>Revenue Cost</b>
60 days	\$150 - \$200 million
40 days	\$100 - \$125 million
20 days	\$40 - \$50 million
10 days	\$20 - \$25 million

Note: No dollar threshold and includes the resident credit offset from New York residents working in other states

## **Impact of Nonresidents on New York**

- New York's nonresident income tax is an important component of the State's overall income tax.
- In 2005, there were approximately 700,000 nonresident PIT filers (8% of total taxpayers in NY)
  - New Jersey accounted for 49% of all nonresidents (336,000)
  - Connecticut accounted for 10% of all nonresidents (70,000)
- Paid \$4.3 billion in income tax (15% of total NY State income tax liability)

## **Impact of Nonresidents on New York (continued)**

- The issue is currently being analyzed and a written report is being prepared for the Governor which will include the following:
  - An evaluation of the economic impact of exempting certain nonresidents who spend small amounts of time in NY from payment of personal income tax.
  - Evaluation will include cost to New York State financial plan.
  - An examination of the appropriate tax treatment for these nonresidents coming into the state for small periods of time.
  - Potential proposals to address the issue.
  - Currently, no final decision has been reached.