



BUDGET WATCH '03

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Some key facts to consider:

- State taxes in New York were a relatively modest 14 percent above the national average in fiscal 2000 on a per-capita basis. But our local taxes were just over *twice* the average.
- Combined state and local taxes per capita on individual income were more than twice the national average, as were corporate income taxes.
- Taxpayers in most states spend far more on education than on social services; in New York, social spending is higher.
- The new Census data are available through the "Government" section at www.census.gov.

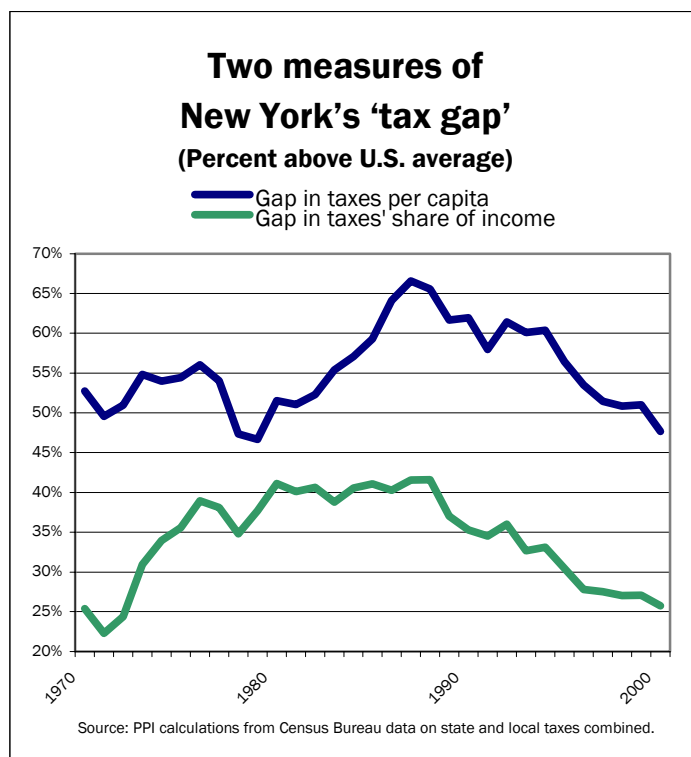
NEW YORK GROWS MORE COMPETITIVE AS OUR 'TAX GAP' WITH OTHER STATES SHRINKS

The extra tax burden that New Yorkers pay, compared to residents of other states, is at its lowest level since the 1970s, data just issued by the U.S. Census Bureau show.

As of fiscal 2000, combined state and local taxes in the Empire State averaged \$4,578 for every resident—some 47.7 percent above the average for all states. While there is still a big gap between the burden on New York taxpayers and those elsewhere, that extra cost is at its lowest level since 1979, a Public Policy Institute analysis found.

Tax experts also compare states' relative tax burdens by measuring taxes as a share of income. In 2000, New Yorkers paid \$141 in state and local taxes for every \$1,000 of personal income, according to the new Census report. That figure was 25.8 percent above the national average. By this measure, New York's "tax gap" is at its lowest since 1972, the Public Policy Institute found.

Tax cuts enacted by Governor Pataki and the Legislature have led to a sharp decline in the tax gap—from just over 60



percent in 1994 to less than 48 percent six years later, on a per-capita basis. During that time, the state's share of U.S. job growth increased dramatically.

Despite that progress, New

York's state and local taxes are still highest in the country as a percentage of personal income, and No. 2 on a per-capita basis, according to the new Census report.

FEDERAL RESERVE STUDY CONFIRMS THE TREND

A new study by the Federal Reserve Bank of Boston confirms that taxes in New York are still quite high—but that we've made progress in closing the gap with other states.

Fed economist Robert Tannenwald compared states based on their "tax effort"

—how much state and local governments raise in comparison to what their economies can afford.

The index is intended to reflect interstate differences in "fiscal capacity" and need for public services that are not captured in data compiled by

the Census Bureau.

As of 1997, according to the Fed's new study, New York's tax effort was the highest of all the states, and 44 percent above the U.S. average. In 1994, the gap between New York and all other states was 55 percent, the study said.