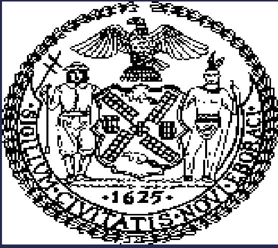

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Report to the Committee on Finance:

Council Economic and Tax Revenue Forecast

May 24, 2022

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Introduction

The City's economy is growing, and the Council expects this expansion to continue through the years of the City's financial plan. Employment in the City still lags the U.S. in terms of closing the share of jobs lost due to COVID, and the gap of lost jobs in low-wage sectors is still pronounced. City employment growth has none-the-less been recently faster than at the national level, having more slack in approaching its productive potential. The national economy is more erratic, following a quarter of strong economic growth at the end of 2021 with negative growth in the first quarter of 2022. This first quarter is an aberration, mostly due to some unusual behavior in inventories and imports. Key indicators such as consumption spending and investment excluding inventories remain positive. The Council expects both national and City growth to continue, though at a slowing pace. Growth will be constrained by the supply side rather than demand and the key macroeconomic policy concern will be the control of inflation.

City tax collections have been coming in strong. In the most recent data - all taxes through March plus personal income tax and sales tax though April, collections are more than 10 percent above the same period last year. This is despite the fact that our single largest tax, the real property tax, is down by 5.4 percent. Strong corporate profits especially for Wall Street firms, strong capital gains realizations and a return to a more normal life have helped. The Council believes that the City will end Fiscal 2022 with tax revenues 5.1 percent above Fiscal 2021. This will result in around $3.26 billion more in revenue than in the Mayor's Office of Management and Budget (OMB) Executive Budget forecast. Evidence is that corporate profits are weakening, the stock market is coming back to earth and interest rates are rising. Tax revenues will come back to earth too, falling by around 1 percent in Fiscal 2023. Still the Council's forecast is $1.97 billion above OMB's. The Council's forecast is stronger for Fiscal 2022 and weaker for Fiscal 2023 onward than the Council's February 2022 forecast.

There are, of course, risks to the forecast. The hazards of controlling inflation, the Ukrainian-Russian war and COVID are the principal ones. There are also budgetary risks, including future union contracts, and ongoing reductions in Federal aid. There also is the budgetary risk of inflation. If tax revenues grow at the rate expected by the Council, they will barely keep up with the rate of inflation forecast by the Council.

United State Economy

The US economy is "hot" right now. There are labor shortages, intermediate goods shortages, and rising prices. These are signs of an economy that is overheating. That is, it appears that the economy is producing above its potential gross domestic product (GDP) and needs to slow down to allow supply to catch up with demand. This is not an easy task, and so the question becomes how we get there without creating other problems? Paul Krugman illustrates the issue with a schematic figure that has three paths: a path that is too hot, a path that is too cold, and the Goldilocks path that is just right.[1]

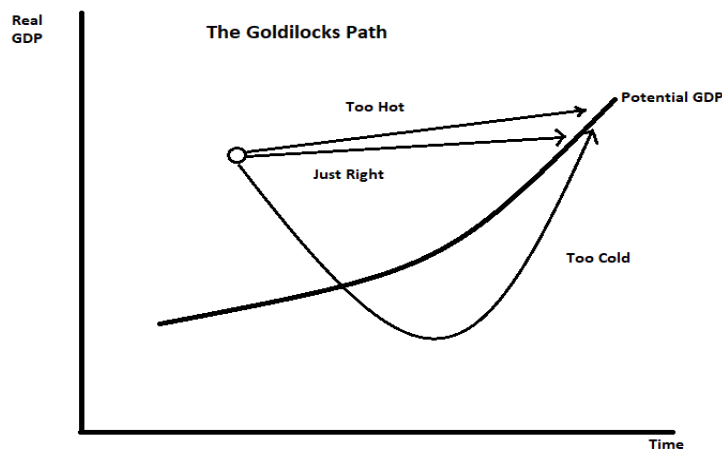
[1] Paul Krugman' Wonking Out: How a Recession Might – or Might Not- - Happen", Newsletter April 22, 2022 https://www.nytimes.com/newsletters

Underlying this overheating are two things. First, the recovery from the COVID recession, powered by monetary stimulus from the Federal Reserve and fiscal stimulus from the Federal budget has been strong. Second, there is scarring to the economy, which means there is damage to the ability to produce goods and services from COVID-19 and from other disruptions such as the war between Ukraine and Russia.

Potential GDP deserves a brief explanation, since it will matter in understanding the Council's forecast. "(Potential GDP) is a theoretical construct, an estimate of the value of the output that the economy *would have* produced if labor and capital had been employed at their maximum sustainable rates—that is, rates that are consistent with steady growth and stable inflation."[2]

At simplest, in the long run, Potential GDP is a function of growth of the labor force and growth of productivity.[3] The growth of the labor force has slowed down as the baby boomers retire. This slowdown is reinforced in the short run by restrictions on immigration. As for productivity growth, except for a brief burst of growth during the late 1990's and first few years of the twenty-first century, productivity growth has been disappointing for the last 40 years.[4]

Put together, for our forecast period the growth of potential GDP is likely to be between 2 percent and 2.4 percent over the next five years, according to IHS Markit. As we come down from an overheated economy anything in this range should be taken as full employment growth.



Sources: New York City Council Finance Division adapted from Paul Krugman[5]

[2]. Brookings Institution "What is Potential GDP and Why is it So Controversial right Now" https://www.brookings.edu/blog/up-front/2021/02/22/what-is-potential-gdp-and-why-is-it-so-controversial-right-now/#:~:text=Potential%20GDP%20is%20a%20theoretical,steady%20growth%20and%20stable%20inflation.

[3] Ibid.

[4] Robert J. Gordon, The Rise and Fall of American Growth, Princeton University Press, Princeton, 2016.

[5] Paul Krugman 'Wonking Out: How a Recession Might – or Might Not- - Happen,' Newsletter April 22, 2022 https://www.nytimes.com/newsletters

Turning to the figure above, on one axis we have GDP corrected for inflation, or real GDP, the other axis represents time. Note that there are no numbers here, it is just a drawing that helps convey a story. The thick black line presents potential GDP growth, which is around 2 percent a year. The circle represents where we are now, above potential GDP. The three arrowed-lines present possible paths back to potential GDP. Each of these paths depend on the policy of the Federal Reserve, mostly in regards to interest rates. The path is also dependent on fiscal policy, which includes taxes and spending, the behavior of investors and consumers, the path of the worldwide military conflicts, epidemics, trade disputes, and financial market kerfuffles that have complicated economic life over the last quarter century.

The top line, labelled “Too Hot”, represents an economy where policy changes do not occur quickly, and we stay above potential GDP for too long. This path gives inflation a chance to take hold. This scenario resembles the economy of the late 1970’s early 1980’s, a long deep recession may be needed to squeeze inflation out of the system.

The bottom line, labeled “Too Cold”, is a path in which the Federal Reserve does too much too soon, or in which there are nasty surprises from COVID and/or an escalation of the Ukraine-Russia war. This path is the recession scenario.

The middle line, labeled “Just Right” is the Goldilocks scenario. On this path, through a combination of good luck and good policy the economy moves to potential GDP without embedding high inflation or causing a recession. The Council has been using a scenario like this since presenting its December 2020 forecast. The Council’s current forecast is based on IHS Markit May baseline forecast, which is discussed below. IHS Markit assigns a 50 percent probability to this scenario. The scenarios used in December 2021 and March 2022 differed because they did not assume the economy was overheating. This made the Goldilocks path easier than the one in May. In the earlier scenarios the Federal reserve did not have to work so hard to slow down the economy. We are also consulting IHS Markit’s April pessimistic forecast. This differs from the baseline primarily in assuming further intensification of the Ukraine-Russia war and slower correction of other supply-chain issues. While this forecast does not actually contain a recession, growth is very slow in the second half of 2022 and in 2023. IHS Markit assigns a 35 percent probability to this scenario.

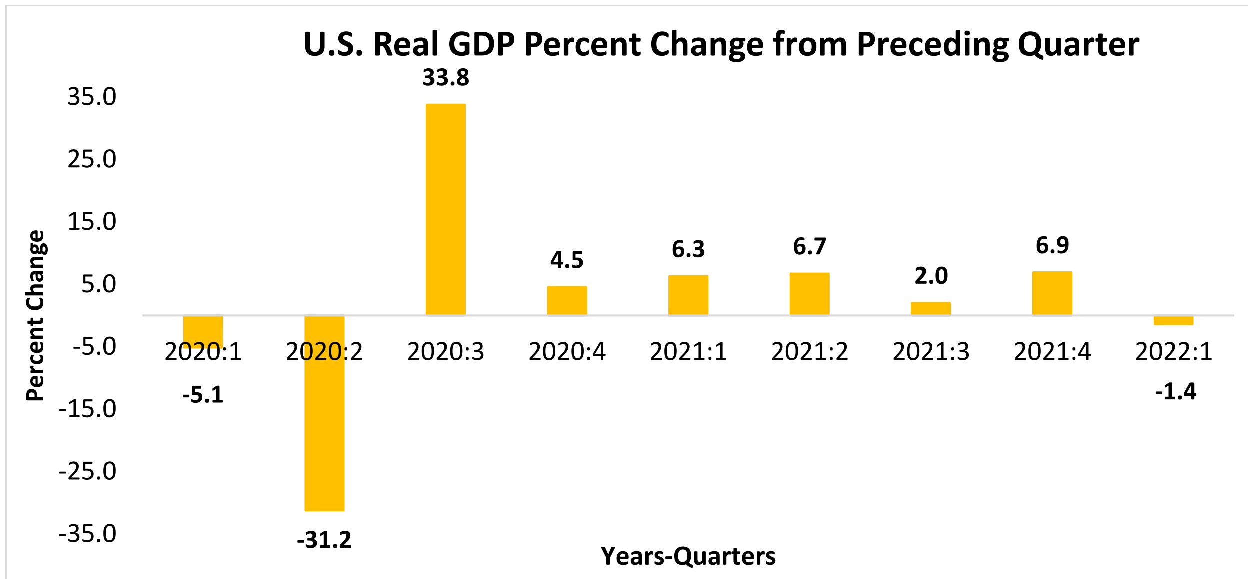
Current Conditions: GDP, COVID-19, and Employment

The U.S. economy ended 2021 on a strong note, with real GDP growth achieving an annualized rate of 6.9 percent in the fourth quarter. Excluding the historic COVID rebound in the third quarter of 2020, this was the fastest pace of growth since 2000.

However, the first quarter of 2022 saw a worse than expected GDP contraction of 1.4 percent,[6] stemming from elevated import growth and lower inventory restocking. While this might look like the US economy is on the verge of a recession, core economic activity has held up fairly well. For instance, business investment rose by 9.2 percent and consumer spending was up 2.7 percent for the quarter.[7]

[6] Advanced Estimate by the U.S. Bureau of Economic Analysis (BEA), Third Quarter: Thursday, April 28th 2022: https://www.bea.gov/news/2022/gross-domestic-product-first-quarter-2022-advance-estimate

[7] ibid.



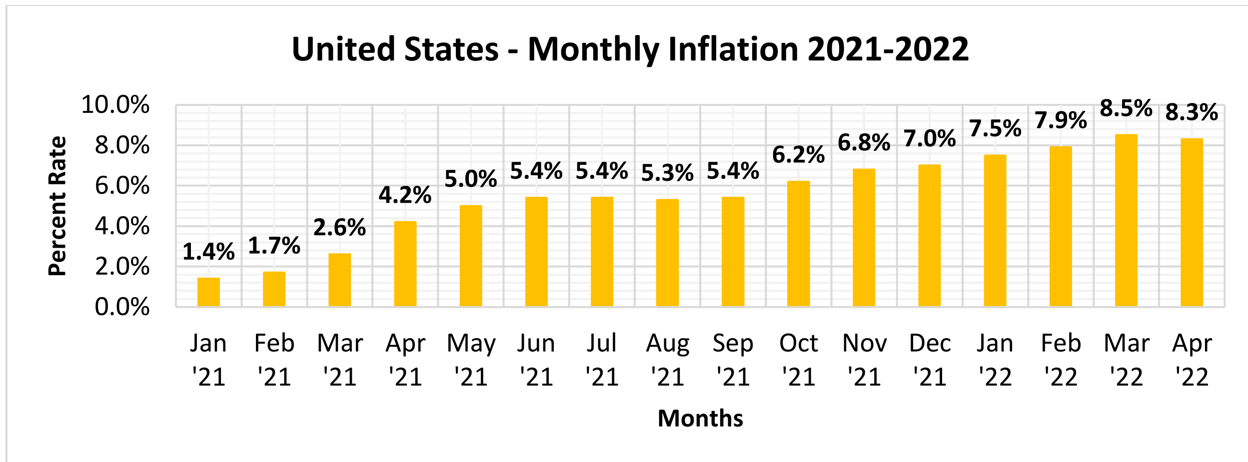
Source: U.S. Bureau of Economic Analysis

One of the biggest constraints on the economy in the first quarter appears to have been the Omicron variant of COVID-19. Another shock that effected economic growth was the ongoing conflict between Russia and Ukraine since late February. The Russia-Ukraine war and continued supply chain disruptions have fostered additional inflationary pressures, increased downside risks to the economic growth outlook, and quickened the expected pace of monetary tightening.

The annual inflation rate in the U.S. slowed to 8.3 percent in April from a 41-year high of 8.5 percent in March, as gasoline prices retreated temporarily following sizable leaps in recent month.[8] The number one cause of today's high inflation is COVID-19 and high energy prices. There were signs that inflation would start to ease this spring, but the Russia-Ukraine war threatens to cause further commodity price surges and to further disrupt supply chains. The rise in commodity prices is increasing production costs in many industries, particularly manufacturing and energy, and this will likely intensify inflationary pressures in 2022. IHS Markit projects 6.8 percent inflation in 2022, softening to 2.8 percent in 2023, and finally 1.9 percent in 2024, as a weaker economy reduces demand to match supply, of which disruptions are gradually mitigated.[9]

[8] U.S Bureau of Labor Statistics: May 11th, 2022: https://www.bls.gov/news.release/pdf/cpi.pdf

[9] IHS Markit, 'Executive Summary,' May 2022.



Sources: U.S Bureau of Labor Statistic, Consumer Price Index

The U.S. economy continues to add jobs at a pace that is higher than anything sustained in the previous cycle. Employment increased sharply by 428,000 jobs in April, continuing strong growth as the economy recovers from the effect of the pandemic.[10] As of April 2022, nonfarm employment was still 1.2 million (-0.8 percent) below its pre-pandemic level of 22 million in February 2020. The April 2022 unemployment rate remained at 3.6 percent, the same rate as in March 2022, but this is a healthy decrease from 6.1 percent in April 2021. Additionally, the labor force participation rate was 62.2 percent in April 2022, only slightly up from 61.7 percent in April 2021, and still below the 63.4 percent participation rate prior to COVID in February 2020.[11]

National Forecast

The U.S. economy continues to face persistent global supply chain disruptions due to the pandemic, which has softened economic output and pushed up inflation. The conflict between Russia and Ukraine has further intensified these inflationary pressures. However, despite the economic contraction of 1.4 percent in the first quarter of 2022, the second quarter is expected to rebound by a modest 1.9 percent, as the unsustainable surge in imports subside and federal defense spending reductions are reversed. Moving forward, GDP growth is expected to maintain a trend of around 2.4 percent throughout the years of the Financial Plan. Consumer spending is likely to slow from its robust 2021 pace, but mostly remain moderate, helped by continued employment growth. In the near-term the forecast expects the labor market to remain tight, with elevated job gains and continued improvement in the labor supply as pandemic-related health and childcare concerns are alleviated. However, as economic growth decelerates in the outyears, the unemployment rate is forecast to increase to 4.6 percent in 2024 and 5.0 percent in 2025.

	2021	2022	2023	2024	2025	2026
Real GDP	5.7%	2.4%	2.4%	2.3%	2.2%	2.5%
Unemployment Rate	5.4%	3.6%	4.0%	4.6%	5.0%	5.0%

Source: *IHS Markit, 'Executive Summary,' May 2022*

[10] U.S Bureau of Labor Statistics: May 6th, 2022: https://www.bls.gov/news.release/empsit.nr0.htm
[11] ibid.

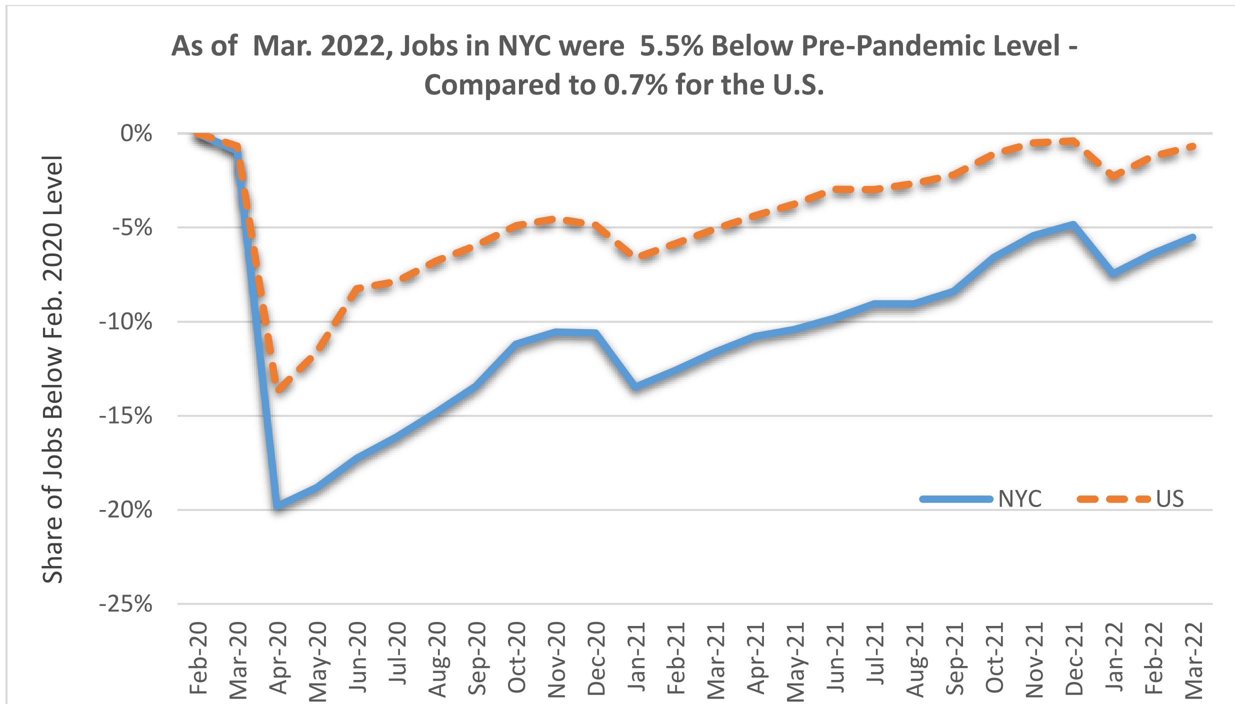
New York City Economy

Current NYC Conditions: Income Has Recovered, Employment has a Way to Go

The pandemic disrupted more than a decade of steady economic growth in the City. At the height of the pandemic, income – measured by gross domestic product in New York City and the rest of the country, plummeted. Since then, the national and City economies have been boosted by a combination of federal fiscal support, record high stock market, pent-up consumer demand, and a tight jobs market. National and City GDP have both surpassed their pre-pandemic levels as of the second and fourth quarters of 2021, respectively. On a less buoyant note, while national employment has almost fully recovered, City employment remains noticeably below pre-pandemic levels, most sharply in low-wage sectors especially impacted by COVID-19.

With the remaining restrictions on businesses lifted, employers continue to fill positions that were lost during the pandemic. In the first quarter of 2022, the City added close to 283,000 private sector jobs compared to the same period last year. The leisure and hospitality super-sector led the job additions in the first quarter. Hotels and food services – two industries that were decimated by the pandemic – added approximately 10,000 and 90,000 jobs respectively in the first quarter (year-over-year).

Despite these gains, the pace of job recovery in the City still lags behind that of the rest of the country. While New York City recovered close to 72 percent of the pandemic-related job losses as of March 2022, the U.S. recovered 95 percent of its lost jobs (not seasonally adjusted). As of March 2022, total employment in the City remained 5.5 percent or 258,000 positions below the pre-pandemic level in February 2020. In contrast, total employment in the U.S. was only seven-tenths of a percent shy of its pre-pandemic level. The City's slower pace of recovery reflects how severely it was impacted by the pandemic compared to the rest of the country. Being the epicenter of the virus, and given its population density, the City has had to reopen more slowly and cautiously.



Source: *New York State Department of Labor; Bureau of Labor Statistics, March 2022 - not seasonally adjusted.*

The composition of employment in the City has also contributed to its slower pace of jobs recovery. Compared to the rest of the country, the City relies more heavily on service producing industries that entail person-to-person interactions. Jobs in those industries were disproportionately affected by the pandemic and have recovered much more slowly than the rest of the country. Employment in accommodation and food services, arts, entertainment events, retail, wholesale and management are still disproportionately below their pre-pandemic levels. For example, food services employment is 17.4 percent below pre-pandemic levels, retail is still down 11.6 percent and the hotel industry down 37.9 percent.

The unemployment rate in the City has continuously declined since it shot up to 21.0 percent at the height of the pandemic. As of March 2022, the jobless rate had dropped to 6.5 percent. The declining unemployment rate has been partially caused by a shrinking labor force, which reduces the number of unemployed who are looking for work. Since surpassing its pre-pandemic peak in March 2021, the number of people able to and looking to work has continued to fall. While the City's unemployment rate has experienced a steep decline, it remains almost double the U.S. rate of 3.6 percent.

The private sector average wage in the City is estimated to have increased by a strong 8.3 percent in 2021, driven by buoyant Wall Street bonuses, and wage pressures stemming from labor shortages and inflationary pressures. The average wage in the securities industry is estimated to have soared 13.6 percent in 2021, reaching an average annual wage of $497,000.

Real Estate Market

Residential real estate markets have been generally stronger than commercial markets. "Throughout the New York City area, resale volume has been increasingly robust, and prices have

trended up briskly," according to the Federal Reserve."[12] Year-over-year, sales of co-ops, condos and 1-3 family houses in Manhattan, Brooklyn and Queens, soared by 45.9 percent, 29.9 percent, and 31.8 percent respectively. Median prices climbed by 10.7 percent, 5.4 percent, and 10.5 percent respectively.[13] Home prices now exceed pre-pandemic levels by double-digits, driven by low inventories and pent-up demand. Rental market prices accelerated - especially for high-end apartments, with median rents rising in Manhattan, Brooklyn and Queens by 31.9 percent, 11.6 percent, and 21.1 percent respectively.[14]

Manhattan office leasing "continued its upward trajectory in the first quarter of 2022." Nearly 7.2 million square feet (msf) of leasing was recorded, exceeding its 15-year quarterly average of 6.4 msf. The vacancy rate, however, ticked-up 60 basis points to a record 21.0 percent in the first quarter. Many tenants are choosing either not to renew their leases or leasing less, as work from home arrangements become a new norm. Also contributing to higher vacancy rates were nine blocks, each over 100 msf, entering the market, along with three new construction completions, totaling nearly 1.6 msf.[15]

The hotel industry and tourism are experiencing a gradual recovery, driven largely by domestic travelers. After plummeting to 35.9 percent in April 2020, hotel occupancy rates have crawled back to 68.5 percent as of March 2022.[16] The onset of the Omicron variant from December to February was a temporary setback to the nascent recovery in the hotel industry and tourism.

Inflation in New York Metropolitan Area

The cost of day-to-day life in New York City has increased significantly in the last couple of months. Overall prices in the New York City area rose 6.3 percent from April 2021 to April 2022. While most of that increase can be attributed to skyrocketing energy prices (especially gasoline), the prices of other necessities also rose significantly. Food prices rose 8.8 percent over the year, with prices for food at home increasing 10 percent, driven by higher prices for meats, poultry, fish, and eggs. Housing prices grew 4.1 percent over the 12-month period, steered mainly by a surge in household energy prices.[17] The rapidly rising cost of food and housing in the City is of paramount concern, as they tend to disproportionately harm poor New Yorkers. Those households typically spend a larger portion of their after-tax incomes on food, clothing and shelter.

COVID-19 in New York City

As of May 17, 2022, the City has moved into a COVID-19 high alert level, as it experiences a troubling increase in cases. High alert means that there is high community spread with substantial pressure on the health care system. As of May 16, 2022, the United States had 82.4 million cases in total, with nearly 2.1 million in New York City. While the rate of deaths among those infected with the virus reached 1.2 percent in the United States, the City's rate reached 1.7 percent.

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[12] Federal Reserve Bank, 'The Beige Book,' April 20, 2022, pg B-2.

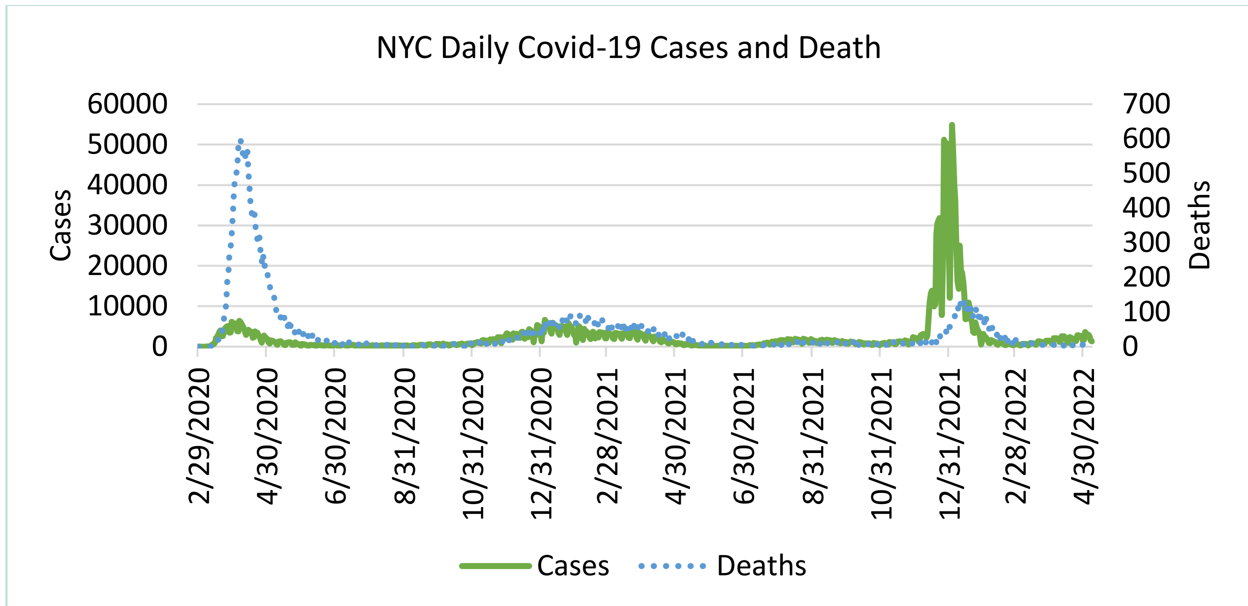
[13] Elliman Report, 'Manhattan, Brooklyn and Queens Sales, 1Q 2022.'

[14] Elliman Report, 'Manhattan, Brooklyn and Queens Rentals, April 2022.'

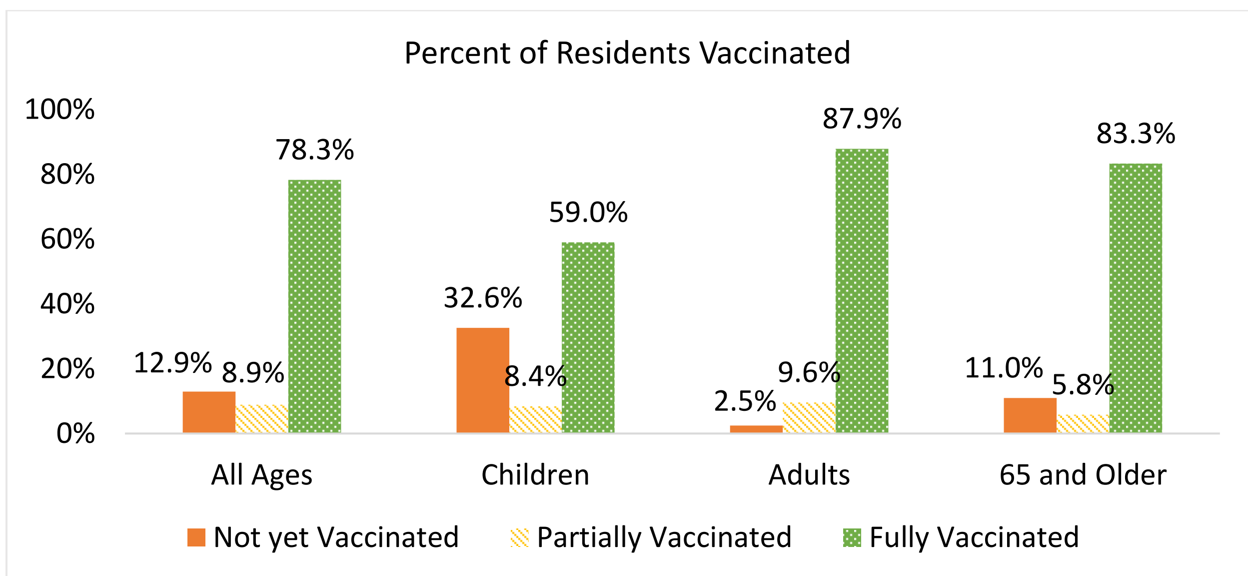
[15] Cushman & Wakefield, 'Marketbeat Manhattan Office Q1 2022.'

[16] NYC & Company, 'NYC Hotel Occupancy, ADR & Room Demand, 'April 21, 2022.

[17] U.S Bureau of Labor Statistic, Consumer Price Index, New York-Newark-Jersey City – April 2022: https://www.bls.gov/regions/new-york-new-jersey/news-release/pdf/consumerpriceindex_newyorkarea.pdf



Source: *NYC Department of Health, May 16, 2022*



Source: *NYC Department of Health, May 16, 2022*

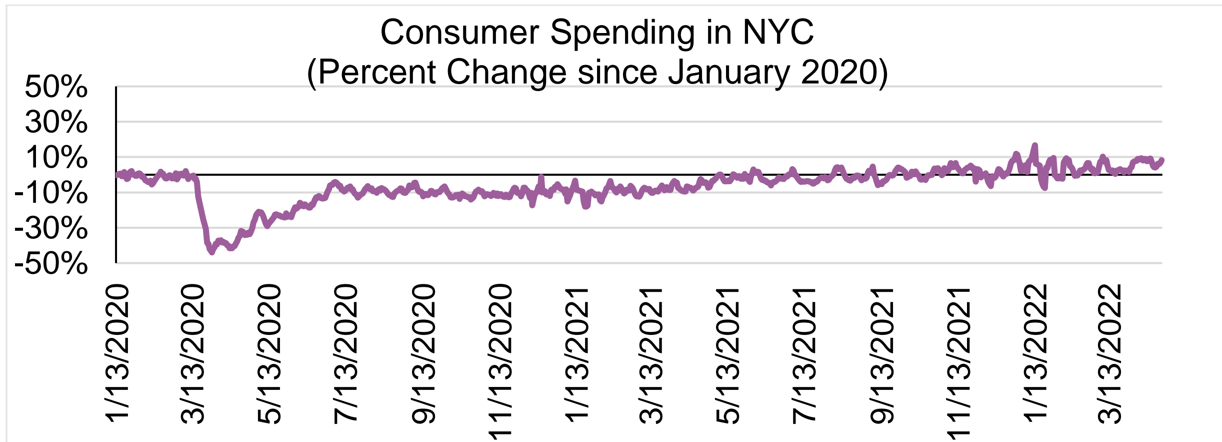
According to IHS Markit May 2022 forecast, the U.S. will continue to transition from pandemic to endemic as more people get vaccinated, therapeutics improve, the CDC relaxes guidelines for safe socializing, and the country moves towards managing the risks of living alongside the virus.[18] As of May 16, 2022, about 87.2 percent of New Yorkers had at least one dose of the COVID-19 vaccination.

New York City Consumer Spending

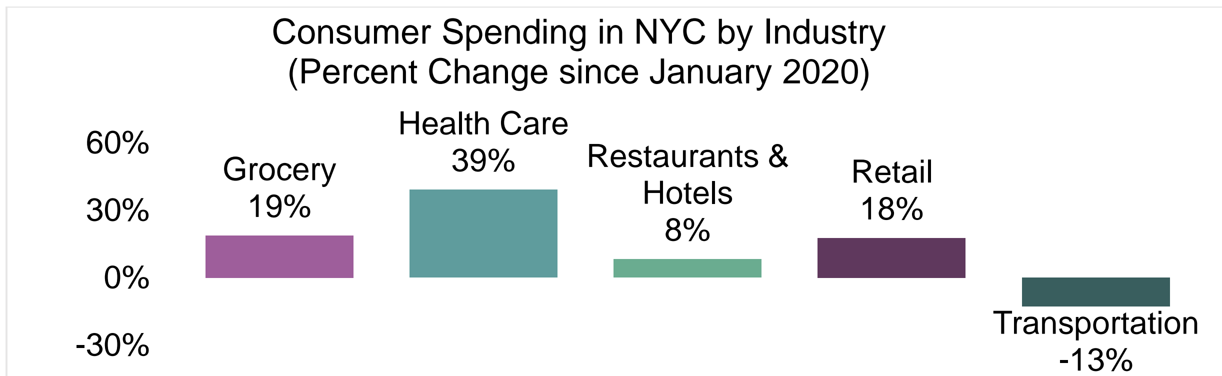
[18] IHS Markit, 'U.S. Executive Summary: US Economic Outlook,' May 2022

Consumer Spending has changed significantly since the pandemic started. As of May 1, 2022, total credit and debit card spending by NYC consumers increased by 8.3 percent compared to pre-pandemic levels (January 2020).

The transportation industry has suffered the most since the pandemic, with a 13 percent decline in spending since January 2020. On the other hand, spending in the health care industry increased significantly in the last year and a half. Consumer spending in this industry increased 39 percent since before the pandemic started in the City.



Source: *Opportunity Insights, Economic Tracker, January 10 to May 1, 2022.*

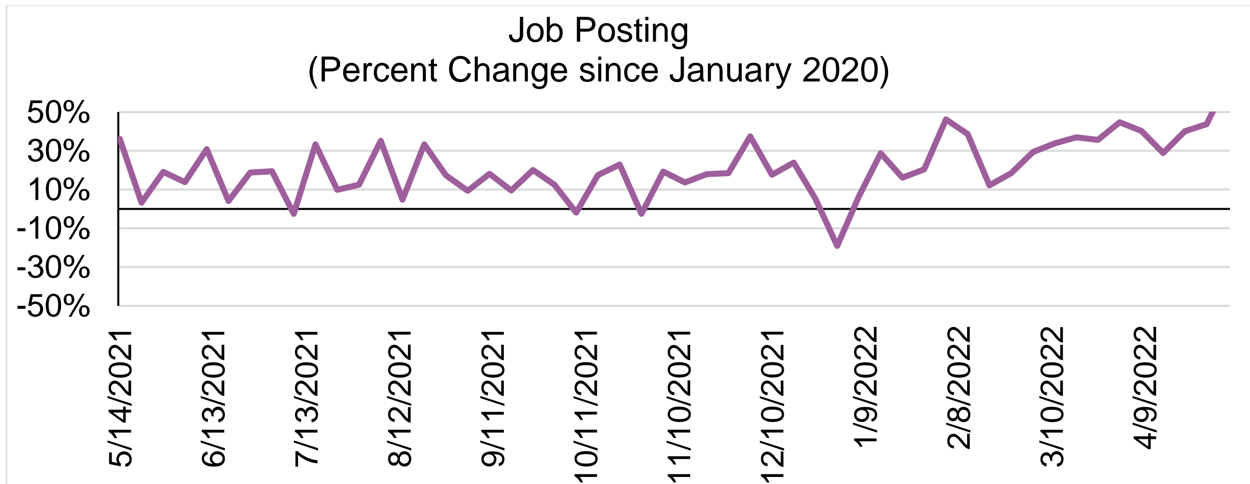


Source: *Opportunity Insights, Economic Tracker, May 1, 2022.*

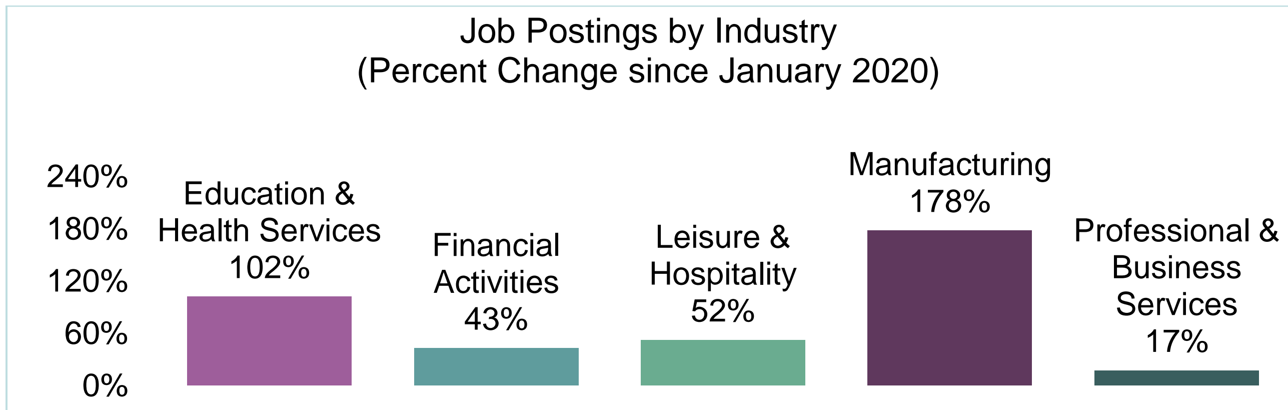
New York City Businesses

Employers in the City of New York are facing challenges filling job openings. This is the result of the pandemic's altering of the job market, perhaps permanently. Overall, there were 64.2 percent more job openings in New York City on May 13, 2022, compared to January 2020. All industries have seen an increase in job postings when compared to January 2020. The highest jump was in the manufacturing industry, which increased by 178 percent during this period.

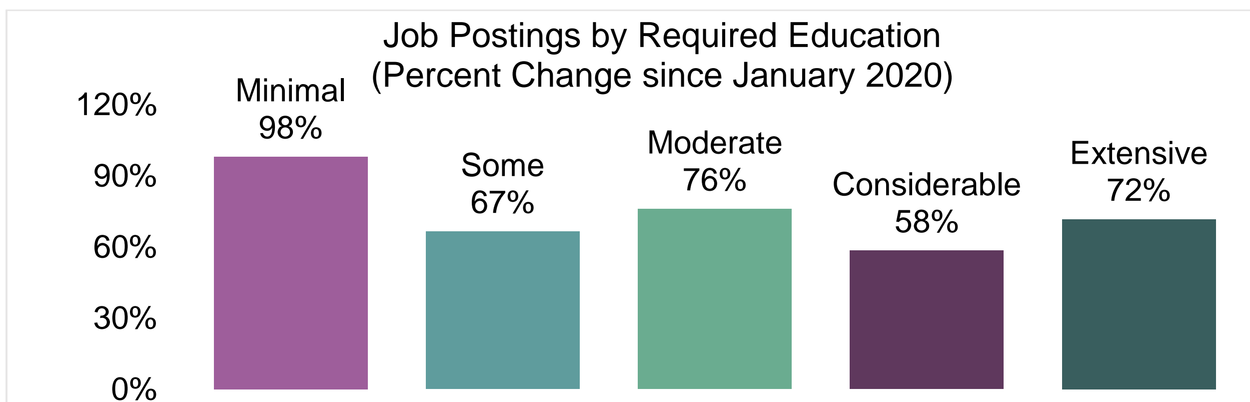
In addition, by May 13, 2022 the number of job openings requiring minimal education increased 98 percent since January 2020. In order to address its gender wage gap, starting November 1, 2022, New York City will provide more transparency, by requiring all job postings to list the minimum and maximum salary for each position. Many believe that this bill could make the process of finding a job much easier.



Source: *Opportunity Insights, Economic Tracker, January 10 to May 13, 2022.*



Source: *Opportunity Insights, Economic Tracker, May 13, 2022.*

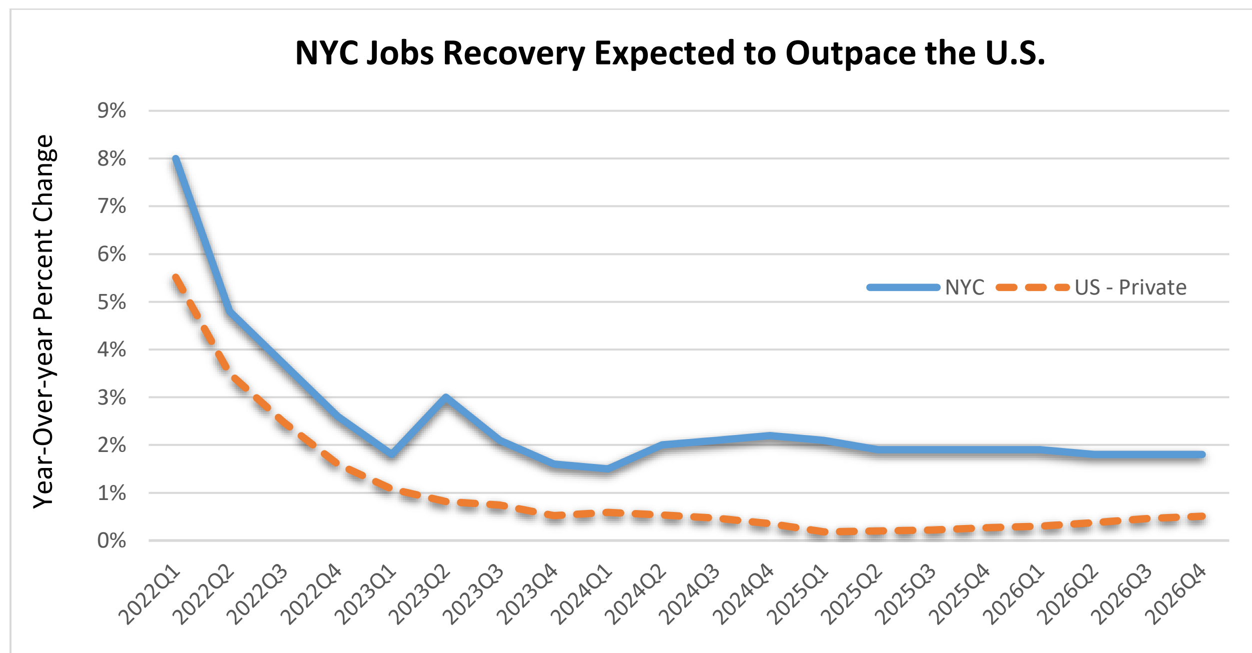


Source: *Opportunity Insights, Economic Tracker, May 13, 2022*

New York City Economic Forecast

Employment in the City is expected to experience robust growth in 2022, but will expand more moderately during the next four years. Private sector job growth is expected to accelerate to 4.7 percent in 2022, adding over 173,000 positions during the year, reflecting an overall stronger economy with minimal COVID-related restrictions on business activity. Beyond this year, employment growth is expected to slow down to a modest pace, as higher interest rates take some of the steam out of the recovery. The City is expected to add an average of 77,600 private sector jobs each year, with decent 2.0 percent annual growth.

The New York City Council Finance Divison ("Finance Division") projects a faster pace of job recovery in the City compared to the U.S., as the City labor market catches up to the rest of the country. The forecast assumes that the number of new COVID infections will remain subdued, ensuring that the City does not re-impose any restrictions on businesses going forward. With that, employers in industries that provide face-to-face services will be able thrive and bring back more of the positions that were lost as tourists and city residents are able to attend entertainment events at full capacity. At the same time, employers will be encouraged to bring office workers back to work primarily in-person.



Source: *New York State Department of Labor; Bureau of Labor Statistics, March 2022.*

That notwithstanding, the road to full recovery remains slow and prolonged for the City's labor market. The City Council's Finance Division projects that employment in the City will return to pre-pandemic level in the second quarter of 2025. The ongoing inflationary pressures, labor shortage and the ramifications of the Fed's responses to those issues will continue to pose a significant threat to the labor market.

The Finance Division forecasts that average wage growth in the private sector will decelerate to 4.3 percent in 2022 and 3.6 percent in 2023, reflecting weakness in a now struggling securities

industry, and downward pressure imposed on the average wage by the rapid recovery of low-wage jobs. Offsetting this is upward wage pressure from continuing labor shortages and rising prices. Average wage growth will continue its roughly annual pace of 4.0 percent between 2024 and 2026.

The ratcheting-up of interest rates will impact real estate markets. Climbing residential home prices are becoming increasingly unaffordable for many New Yorkers. With mortgage rates now also on the rise, there is bound to be an increasing shift from purchasing to renting. The Finance Division expects growth in home sales in the New York City metropolitan area to soften to below one percent year-over-year in 2023.

Weakness in the commercial real estate market is expected to continue into 2023. Coupled with the increasing appetite for remote work, as businesses begin to feel the pinch of higher borrowing costs, there will be less expansion and demand for space.

In 2019, there were 66.6 million visitors to the City; 53.1 million domestic and 13.5 million international. As of 2021, there were 30.2 million domestic visitors (56.9 percent of 2019 levels), and 2.7 million international visitors (20 percent of 2019 levels). The return of foreign visitors has been particularly slow, with European travel restrictions only recently removed at the end of 2021, and the more pronounced pandemic concerns in China. NYC & Company forecasts that in 2023, there will be 53.9 million domestic visitors, surpassing pre-pandemic levels by 800 thousand. They also forecast 11.1 million foreign visitors, still 2.4 million below pre-pandemic levels. Given the trajectory of NYC & Company's forecast, tourism is expected to surpass pre-pandemic levels in either 2024 or 2025.[19]

[19] NYC & Company, 'NYC Travel & Tourism Outlook,' March 2022.

Forecast of Selected Economic Indicators: National and New York City, CY2021-2026						
	CY21	**CY22**	**CY23**	**CY24**	**CY25**	**CY26**
NATIONAL ECONOMY*						
Real GDP %	5.7	2.4	2.4	2.3	2.2	2.5
Total Employment						
Level Change, '000	3,956	5,739	1,427	144	176	858
Percent Change, %	2.8	3.9	0.9	0.1	0.1	0.6
Unemployment Rate, %	5.4	3.6	4.0	4.6	5.0	5.0
Total Wages %	4.0	5.6	5.6	4.1	3.8	3.7
Consumer Price Index	4.7	6.8	2.8	1.9	2.1	2.1
Interest rates %						
3-Month Treasury Bill	0.0	1.2	2.5	2.2	1.8	1.9
30-Year Conventional Mortgage Fixed	3.0	4.9	5.1	4.9	4.9	4.9
NEW YORK CITY ECONOMY						
Real GCP %*	5.9	4.1	2.4	2.6	2.9	2.5
Private Employment						
Level Change, '000	98	173	81	77	78	74
Percent Change, %	2.7	4.7	2.1	2.0	1.9	1.8
Average Private Sector Wages %	8.3	4.3	3.6	3.9	4.1	4.0
Total Private Wages %	10.1	9.4	5.8	5.9	6.1	5.9
NYSE Member Firms %						
Total Revenue	6.1	5.4	2.5	2.5	3.5	4.3
Total Compensation	14.2	2.2	0.8	0.7	0.9	1.1

Source: IHS Markit, May 2022; New York City Council Finance Division (City)

** Calculated by IHS Markit*

Risks to the Forecast

While the forecast presented here outlines the Finance Division's best estimate of where the economy is going, there are a sizable risks that could materialize.

1. A new and more virulent strain of COVID-19 may trigger another wave of retrenchment, with adverse economic consequences.
2. The Federal Reserve may significantly miss the mark in its efforts at a 'soft landing.'
3. Inflation may prove more long-lasting than economists are projecting and may escalate further, prodding the Fed to boost interest rates even higher than its expected trajectory.
4. Supply shortages may not resolve as quickly as expected, and may even intensify from additional blockages of commodities and energy stemming from the Russia-Ukraine war, further accelerating inflation.
5. Financial markets may prove even more volatile than expected, and the stock market may decline more severely and for a longer period of time than investors imagine today.

6. Widespread economic changes could reduce the value and productivity of existing capital in the City. For example, increased adoption of work-at-home systems could reduce the value of existing office buildings, which account for large share of private nonresidential capital in the United States.

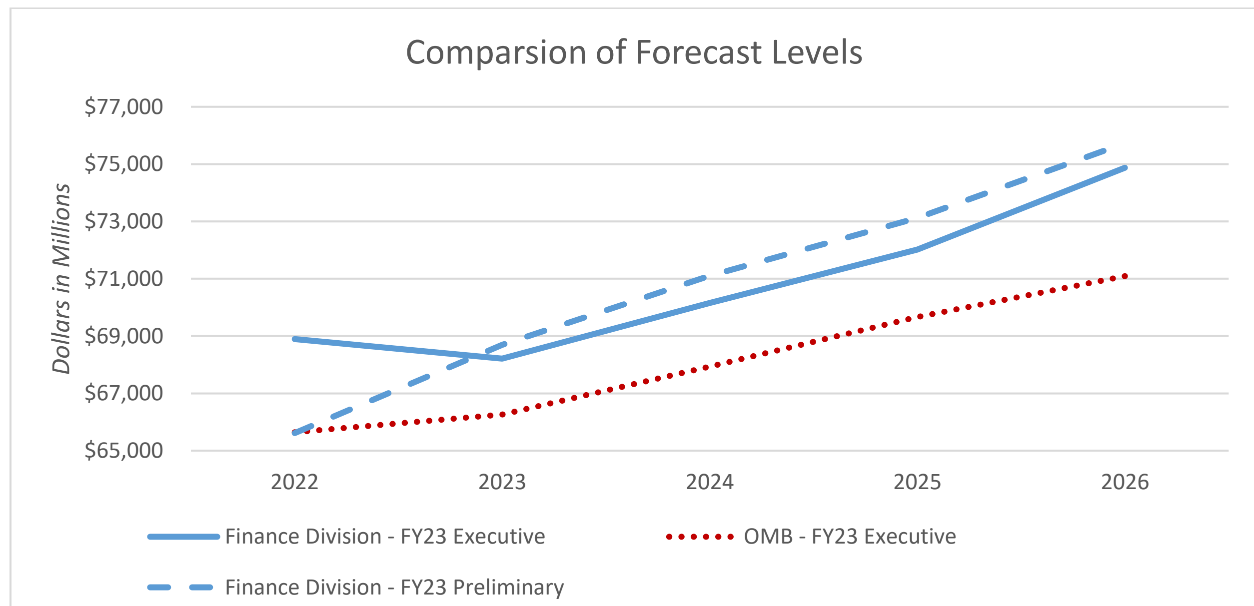
City Tax Revenues

Collections

Tax collections totaled $65.5 billion for Fiscal 2021, $2.4 billion more than Fiscal 2020, and $1.0 billion ahead of the Financial Plan at Adoption. Strong Personal Income Tax (PIT) extension payments in Fiscal 2021 provided a timely boost to offset worsening declines in Sales and Hotel Tax collections in the midst of a sizable contraction in consumer outdoor shopping and the City's tourism industry due to COVID-19. The pandemic also impacted real estate purchasing in the City, significantly reducing Real Estate Transaction Tax collections. On the other hand, growth in real estate market values provided the necessary momentum for the Property Tax Assessments to continue increasing into Fiscal 2021, affording an added level of stability to overall tax collections.

Through the end of April, Fiscal 2022 collections total $60.5 billion, about $1.6 billion above expectations in the Executive Financial Plan, and $5.7 billion (10.5 percent) greater than the same point last year. Notable taxes contributing to the growth over last year include the Sales, Real Estate Transaction, Business, and Personal Income Taxes, jointly contributing slightly more than $7.2 billion to collections growth so far in Fiscal 2022. This growth, however, is partially offset by a $1.7 billion reduction in Real Property Tax collections, the result of a sharp decline in commercial assessments in the current fiscal year.

Council Forecast



Source: *New York City Council Finance Division, February and May 2022, and NYC Office of Management and Budget, Fiscal 2023 Executive Financial Plan*

The Finance Division's May tax revenue forecast exceeds OMB's Executive Plan by over $3.2 billion in Fiscal 2022, and by over $1.9 billion in Fiscal 2023. The Finance Division's May forecast also exceeds its own February forecast by almost $3.3 billion in Fiscal 2022, but is $800 million under its February forecast in Fiscal 2023, and remains at an average of $1.3 billion below its previous forecast in the outyears. The Finance Division's current projections reflect increased expectations from the higher than expected collections that are materializing. The Division is less optimistic than before about collections during the remainder of the Financial Plan, as risks of an economic slowdown loom.

The Finance Division has significantly upwardly-revised its tax revenue forecast for Fiscal 2022 since the Preliminary Budget from almost flat 0.1 percent growth to 5.1 percent, increasing annual collections by $3.35 billion over the previous year. The revision is almost entirely driven by another year of dynamic Personal Income Tax (PIT) collections, principally extensions. In addition to the PIT, other main contributors to growth include the Sales Tax, the two Real Estate Transaction taxes, the two business taxes and the Hotel Tax. Partially offsetting the increase in revenues are reduced collections from the Real Property Tax.

The current fiscal year is characterized by increasing employment and wages, with exceptional Wall Street bonuses. Vaccinated consumers are again patronizing stores, restaurants and events, despite a temporary setback from Omicron. On the other hand, real property valuation, particularly commercial, has been challenged, partially by an increased preference for work-at-home lifestyles.

In Fiscal 2023, the Finance Division expects revenue growth to fall 1.0 percent compared to Fiscal 2022, reducing collections by $700 million. Atypically high PIT estimated payments will soften to more moderate levels. Collections from business, PIT and real estate transaction taxes will finally sustain the drag from the higher interest rate regime, and a weakened stock market. Prior federal stimulus supports will have also waned.

The Finance Division expects tax revenues to continue to grow, but more moderately, averaging 2.8 percent in Fiscal 2024 and 2025, and increasing to 4.0 percent in 2026. Inflation is expected to subside by then, but higher interest rates will have constrained stronger growth.

Provided below is a more detailed description of how individual taxes are projected to perform, and the underlying economic and behavioral causations.

New York City Council Finance Division - Tax Revenue Growth Rates						
	FY21	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Real Property	5.6%	(5.2%)	5.8%	3.3%	2.3%	4.5%
Personal Income and PTET	11.4%	8.2%	(11.0%)	3.2%	3.2%	4.0%
Business Corporate	11.3%	3.5%	(13.4%)	(0.0%)	3.4%	3.7%
Unincorporated	7.1%	10.1%	(0.8%)	0.4%	1.0%	1.2%
Sales	(11.1%)	31.4%	3.4%	3.9%	3.2%	4.6%
Commercial Rent	0.6%	0.0%	5.1%	4.1%	3.2%	2.9%
Real Property Transfer	(7.9%)	75.0%	(9.7%)	0.8%	2.0%	2.3%
Mortgage Recording	(8.0%)	55.8%	(5.1%)	(2.0%)	(2.5%)	(1.3%)
Utility	0.0%	10.8%	1.0%	1.0%	1.5%	3.3%
Hotels	(81.9%)	294.7%	61.8%	12.6%	20.3%	8.7%
All Others	(13.0%)	(1.8%)	(7.3%)	(0.3%)	(0.3%)	(0.2%)
Audits	11.1%	(21.0%)	(11.1%)	0.0%	0.0%	5.0%
Total Taxes	**3.9%**	**5.1%**	**(1.0%)**	**2.8%**	**2.7%**	**4.0%**

Source: *New York City Council Finance Division, Fiscal 2023 Executive Financial Plan*

Real Property Tax (RPT)

The Department of Finance's (DOF) Fiscal 2023 Tentative Roll reports total property tax assessments growing 8.1 percent in Fiscal 2023. After accounting for reductions by tax commission actions and other adjustments, the Finance Division expects total property tax assessments on the Fiscal 2023 Final Roll to set the stage for 5.8 percent ($1.7 billion) growth in Property Tax revenue in Fiscal 2023. Growth at this level provides enough of a boost to offset the loss in revenue caused by the assessment declines that occurred in Fiscal 2022 and brings property tax collections to slightly above pre-pandemic levels.

The pandemic's influence did not materialize on property values until DOF's Fiscal 2022 assessment roll, which abruptly reduced total market value for the City by 5.6 percent, with much of the decline localized in Classes Two[20] and Four[21] (C24). The sudden severity of the market value declines flowed through to corresponding C24 assessed values, prompting many of the City's most valuable properties to get taxed on the more volatile *actual assessed value*, rather than the smoothed *transitional assessed value* in Fiscal 2022.[22] The market value growth in the Fiscal 2023 Tentative Roll provides the necessary conditions to put C24 assessments back onto the transitional assessment growth track over the forecast period, a promising indication of restored balance in property assessments as the City comes into the endemic phase of COVID-19.

The Finance Division's forecast assumes modest, but stable market value growth over the forecast period to create a stable lane to guide assessments on a gradual and predictable trend, resulting in 3.4 percent revenue growth on average between Fiscal 2024-2026.

[20] Class 2 is composed of residential properties with 4 or more units, which are mostly rentals, coops & condos.

[21] Class 4 is composed of commercial properties, including office, retail, hotels, and industrial space.

[22] C24 properties get taxed on the lesser of the actual or transitional assessed value. The property tax system sets the actual assessed value at 45 percent of the market value, while transitional assessed value phases in assessment changes over a five-year period. Consequently, a property's actual assessed value responds immediately to shifts in market value, while its transitional assessed value lags market value variance, diluting its influence on assessment growth.

The Finance Division does not expect any notable changes to the reserve for uncollectable RPT payments in Fiscal 2022 or 2023. The marginal nature of changes in the delinquency rate over the course of the pandemic provides a strong indication that property owners will continue making scheduled payments in the forecast period.

Personal Income Tax (PIT)

The highlight of collections so far this fiscal year has been the Personal Income Tax. As of the end of April, year-to-date PIT collections are $3.4 billion or 30.4 percent higher compared to the same period last year. While PIT has been stronger throughout the fiscal year, collections were especially boosted by an unanticipated surge in estimated payments in April. Consequently, the Finance Division is raising its PIT forecast for the current fiscal year by approximately $1.85 billion over its February estimate. Hence, PIT revenues are now expected to grow 8.2 percent in Fiscal 2022, representing a major shift from the four percent decline forecasted in February.

The catalyst for the latest surge in PIT has been estimated payments, driven by an unexpected increase in the extension payments component. In February, the Finance Division expected this year's extension payments to suffer a massive decline following last year's record high. However, actual extension payments ended up beating our projection in April and setting a new record. Due to the strong April, the Finance Division is raising its estimated payments forecast to 11.4 percent in Fiscal 2022 instead of the 12.5 percent decline we forecasted in February.

The Finance Division is also raising its forecast for PIT settlements in the current fiscal year. Offsets and final returns also experienced significant boosts in April. With the surge in offsets and final returns, this forecast projects a slower rate of decline in total PIT settlements compared to the February forecast.

Withholding collections have also been strong throughout the current fiscal year. With only two months of collection remaining, withholdings are expected to maintain the healthy pace of collection we have seen so far and end the fiscal year with 10.7 percent growth – a rebound from last year's decline. The projected increase reflects the continuously improving jobs market and rising wages in the City, including exceptional Wall Street bonuses.

PIT collections are projected to decline by almost 11 percent in Fiscal 2023, with estimated payments and withholdings moving in opposite directions. Withholding will continue to grow, albeit at a slower pace, sustained by projected increases in employment and wages, even as the Fed's tightening of monetary policy causes Wall Street bonuses to decline.

Estimated payments, on the other hand, will fall by over 25 percent in Fiscal 2023. Following two consecutive years of record setting payments, extensions payments will retreat to normal levels next April. The Fed's aggressive rate hikes will pull down capital gains realizations in 2023, resulting in lower installment payments in Fiscal 2023.

PIT revenues are expected to bounce back in the outyears, growing at an average rate of 3.5 percent. Collections will benefit from employment in the City returning to pre-pandemic levels by the end of 2024, declining inflation, and a resurging stock market.

This forecast includes the cost associated with the expansion of the City's EITC and the Small Business Subtraction Modification, which will be discussed later in this report. Note that the Pass-

Through Entity Tax is expected to be revenue neutral and therefore does not affect the PIT forecast.

Business Taxes

Collections from the two City's two business taxes – Business Corporation and Unincorporated Business – are expected to grow 5.4 percent in the current fiscal year. Similar to the PIT, this forecast is an upward adjustment from what the Finance Division forecasted in February as recent collections have exceeded expectations.

Business Corporation Tax (BCT). The BCT has enjoyed an amazing year of collections. Year-to-date collections as of March, are almost 19.4 percent above the same period in the previous year. Collections so far have been buoyed by robust corporate profits, driven by pandemic-related relief from the federal government and a vibrant stock market. For the rest of the fiscal year, however, BCT collections will slow down precipitously, resulting in Fiscal 2022 collections growing by only 3.5 percent, as corporate profits return to normal levels in the absence of federal stimulus.

BCT collections will experience a steep decline in Fiscal 2023, with the tax plummeting by 13.4 percent. The projected drop is mainly a reflection of the expected impact of the Fed's tightening monetary policy in response to escalating consumer prices. This will cause the stock markets and corporate profits to decline, affecting BCT collections.

Collection will rebound in the outyears, growing at an average rate of 2.4 percent. With consumer prices expected to be under control towards the end of the forecast period, collections will be boosted by a recovering stock market and stronger growth in corporate profits.

Unincorporated Business Tax (UBT). UBT collections have been vibrant this year, with year-to-date collections as of March up 25 percent compared to the same period last year. Collections have benefited from a much stronger economy, as businesses continue to operate without COVID restrictions. Revenues from the finance sector were boosted by the strong stock market in the first half of the fiscal year. Looking ahead, UBT collections for the rest of the fiscal year are expected to weaken compared to last year. Nonetheless, UBT will end Fiscal 2022 with growth of 10 percent.

UBT collections are projected to decline slightly in Fiscal 2023. The projected decline can be attributed to the effects of the Fed's rate hikes on businesses in the finance sector. Collections will accelerate slightly in the outyears, growing by less than one percent.

Sales Tax

Strong consumer spending, in addition to rising costs of goods and increasing levels of tourism, are the main reason why sales tax collections for Fiscal 2022 are estimated to increase by 31.4 percent over the year before.[23] As of March 2022, sales tax collections were 31.8 percent higher

[23] The 2019-2020 New York State Enacted Budget legislation appropriates a portion of sales tax revenue generated from legislation that requires remote sellers making $500,000 in sales or 100 transactions (as New York State aligns the SCOUTS Wayfair v. South Dakota decision), as well as online marketplaces such as Amazon (Part G of the 2019 2020 New York State Enacted Budget), to collect and remit sales tax on sales to NYS residents for the purpose of the

than last fiscal year. A high percentage of Sales Tax comes from industries such as restaurants, hotels, arts, entertainment and recreation. Combined consumer spending in these industries has surpassed pre-pandemic levels. In Fiscal 2023, the Finance Division projects that collections will jump 5.2 percent. For Fiscal 2024 through 2026, collections will increase at an average annual rate of 3.3 percent.

Hotel Tax

The emergence of the Omicron variant caused a temporary disruption in the recovery of the hotel industry from December 2021 to February 2022. However, the hotel industry seems to be recovering faster than initially anticipated. As of March 2022, year-to-date tax collections for hotels were 312.7 percent higher than last year.[24] The Finance Division projects that collections for Fiscal 2022 will be 294.7 percent higher than the year before. Collections are estimated to also come in strong in Fiscal 2023, increasing by 61.8 over the year before. For Fiscal 2024 through 2026, collections will increase at an average annual rate of 13.9 percent. The Finance Division estimates the hotel room occupancy tax will reach pre-pandemic levels by Fiscal 2025.

Utility Tax

The recent surge in the commodity prices of petroleum, natural gas and electricity has elevated utility costs, increasing Utility Tax revenue in the near term. The current high coal and gas prices are not only the result of a single “shock event” on the demand or supply side. Rather, they also resulted from a combination of supply and demand factors that gradually tightened prices over the course of several years. Utility Tax collections are forecast to increase by a substantial 10.8 percent in Fiscal 2022 and by 1.0 percent in 2023. In the outyears, Utility Tax revenue is expected to increase at an average annual rate of 1.9 percent through 2026.

Mortgage Recording Tax (MRT)

With the remaining reserve of pandemic-deferred real estate demand expected to materialize in the current fiscal year, the Finance Division expects MRT collections to grow 56 percent in Fiscal 2022 to a level well above the pre-pandemic base. Beyond Fiscal 2022, however, several factors propose challenges for MRT collections to sustain the same magnitude of growth. In particular,

MTA, retroactive June 21, 2018. The amounts to be intercepted by the State are $127.5 million in Fiscal 2020, $170 million in Fiscal 2021 and increase 1 percent annually from Fiscal 2022 onward, and is taken in monthly installments. The NYS Education, Labor and Family Assistance (ELFA) Budget (S. 7056-B PART ZZ) legislates that NYS will intercept a portion of NYC sales tax collections and redirect them to the New York State Agency Trust Fund, under a Distressed Provider Assistance Account, for the purpose of relief for financially distressed hospitals and nursing home facilities. This is in addition to the monthly MTA sales tax intercept that is placed into the NYS Agency Trust Fund which is already in effect. The Comptroller will withhold a portion of sales tax collections, penalties, and fees, in the amounts of $200 million in quarterly installments on January 15, April 15, July 15, and October 15. The comptroller will defer withholding the total value of the withholdings that would have occurred on April 15, 2020, July 15, 2020, October 15, 2020, and January 15, 2021, until January 15, 2021. At which time, the full $200 million will be withheld and the normal quarterly installments will occur thereafter. The cost to City revenue will be $250 million in Fiscal 2021 and $150 million in Fiscal 2022, for a total cost of $400 million.

This act was recently revised in the 2022-23 NYS Enacted Budget, in the Health and Mental Hygiene Bill (Chapter 57 – 2022, Part RR), which extends the withholdings an additional three years, with quarterly installments amounting to $150 million annually.

[24] From June 1, 2021 to August 31, 2021 New York City offered a tax holiday eliminating the 5.875 percent hotel room occupancy tax rate in order to boost tourism. The estimated cost of this tax holiday to the City was $60 million.

continued Federal Reserve rate hikes signal a gradual impact on mortgage values and a drawback on refinancing activity in the immediate future, while pandemic-deferred demand continues to dissipate. As a result, the Finance Division's forecast expects Fiscal 2023 collections to contract by 5.1 percent, then decline 1.9 percent on average through the rest of the forecast period.

Real Property Transfer Tax (RPTT)

Similar to the MRT, pent-up real estate demand drives the Finance Division's forecast for RPTT collections to 75 percent growth in Fiscal 2022. As of April, both commercial and residential buying activity continues to accelerate RPTT collections for Fiscal 2022, with commercial and residential transactions up roughly 43 percent and 8.6 percent, respectively, from the same period last year.[25]

Real estate demand does, however, show signs of cooling, considering that commercial and residential transactions grew by 64.8 percent and 44.5 percent respectively, year-over-year, just a few months ago in January.[26] The Finance Division expects the coupled effect of fading real estate demand and rising interest rates, to put downward pressure on transaction volume and property values, projecting a 9.7 percent decrease in collections in Fiscal 2023. Growth will then average 1.7 percent through the rest of the forecast period.

Commercial Rent Tax

Although the pandemic influenced many changes in workplace policy, one important aspect of the City's commercial real estate market slow to adapt is the long-term nature of commercial leases, providing a critical buffer to the Commercial Rent Tax (CRT) base. For this reason, the Finance Division anticipates CRT collections to continue a steady trajectory over the forecast period, growing at 3 percent on average through Fiscal 2026.

Further beyond the boundaries of the forecast period, however, growing popularity of remote-hybrid work options puts the tax base at risk. Although collections remained resilient over the course of the pandemic, commercial vacancies climbed to an unprecedented 21 percent as of March. With workplaces gradually finding balance in a new hybrid normal, several important aspects of commercial leasing critical to the CRT base hang in the balance, including lease periods and asking rents.

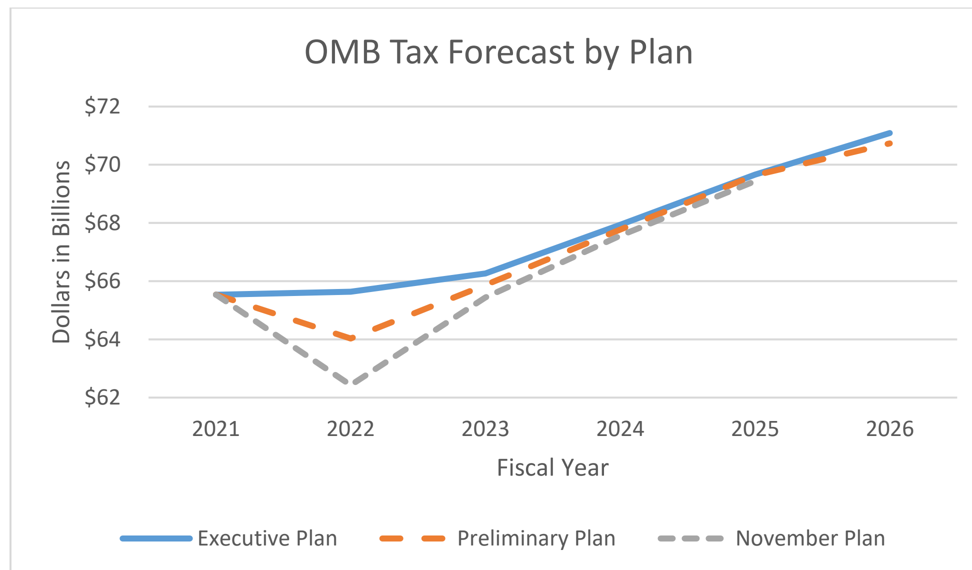
[25] Real Property Transfer Tax Report - January-April 2021 and 2022, NYC Department of Finance
[26] Real Property Transfer Tax Report - January-April 2021 and 2022, NYC Department of Finance

New York City Council Finance Division - Tax Revenue Difference From OMB					
Dollars in Millions	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Real Property	$245	$179	$710	$1,329	$2,796
Personal Income and PTET	1,625	56	174	34	245
Business Corporate	322	212	203	207	98
Unincorporated	52	91	(2)	(64)	(134)
Sales	480	529	514	373	293
Commercial Rent	9	51	87	114	140
Real Property Transfer	204	256	135	61	48
Mortgage Recording	222	364	283	179	131
Utility	10	20	8	6	5
Hotels	49	110	23	36	80
All Others	0	0	0	0	0
Audits	29	79	79	79	79
Total Taxes	**$3,247**	**$1,947**	**$2,213**	**$2,355**	**$3,781**

Source: *New York City Council Finance Division, NYC Office of Management and Budget, Fiscal 2023 Executive Financial Plan*

OMB Tax Forecast

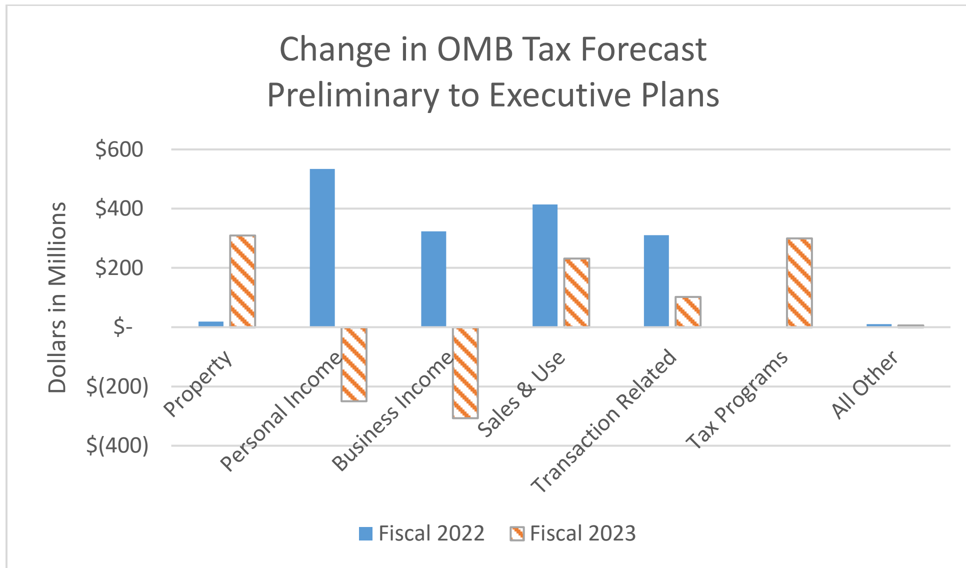
OMB's tax revenue forecast now projects Fiscal 2022 tax revenues to be roughly flat as compared to Fiscal 2021, largely on the basis of consistently stronger than expected tax collections and improving economic conditions. As seen in the chart below, this represents an improvement from prior plans that expected tax revenues to come in weaker than Fiscal 2021. However, this strength in collections and economic conditions is not carried forward, and the outyears of the plan show relatively minor adjustments.



Source: *OMB Fiscal 2023 Executive Financial Plan, Preliminary Financial Plan And Fiscal 2022 November Financial Plan*

As a result, OMB is now expecting $1.6 billion more tax revenue in Fiscal 2022 and $393 million more in Fiscal 2023 as compared to the Preliminary Plan. Fiscals 2024 through 2026 show much more modest increases that average $179 million.

The increase in the Fiscal 2022 forecast is spread through a number of taxes. OMB has raised its forecast for the personal income, business income, sales, and real estate transaction related taxes, all of which largely reflect collections through March. This is an important point, as it means that OMB only raised its forecast to reflect that the pace of tax collections in the third quarter came in stronger than forecast, but has not carried this stronger pace into the fourth quarter. Such an immediate down shift in collections seems unlikely, and one should not be surprised to see a further upward revision by OMB prior to the end of the current fiscal year.



Source: *OMB Fiscal 2023 Executive Financial Plan, Preliminary Financial Plan*

In looking at Fiscal 2023, it is important to first note that OMB shifted the accounting of the $250 million cost to the EITC expansion out of the Tax Programs line and into the Personal Income Tax line. Without this change, the Personal Income Tax sees no change from the Preliminary Plan. Also, roughly $50 million in Fiscal 2023 tax program costs related to the childcare tax credits have start dates shifted to Fiscal 2024, resulting in $50 million extra revenue.

After adjusting for the tax program changes, it is evident that the upward revision in the Fiscal 2022 forecast is only partially carried through into Fiscal 2023 for the transaction related taxes; the sales, and the two taxes related to property transactions see only minor increases compared to their Fiscal 2022 revisions. The personal and business income taxes fare even worse, and are weaker or flat compared to the Preliminary Plan. This may reflect OMB's traditional cautious budgeting practice, or it may reflect that the recent strength in these taxes has been rather sudden, and OMB has not yet had time to digest what this increase means going forward.

OMB Fiscal 2023 Executive Financial Plan - Tax Revenue Levels
Dollars in Millions

Type of Tax	2022	2023	2024	2025	2026
Real Property	$29,427	$31,200	$31,692	$31,826	$31,836
Personal Income	14,716	14,491	14,844	15,462	15,869
General Corporation Income	4,873	4,287	4,294	4,444	4,724
Unincorporated Business Inc.	2,234	2,178	2,281	2,366	2,463
Sales and Use	8,129	8,375	8,734	9,175	9,692
Commercial Rent	860	862	863	866	868
Real Property Transfer	1,625	1,395	1,529	1,636	1,688
Mortgage Recording	1,174	961	1,015	1,087	1,118
Hotel	285	430	586	696	716
All Other Taxes	1,302	1,220	1,235	1,242	1,257
Audits	871	722	722	722	721
Total Taxes	**$65,641**	**$66,265**	**$67,937**	**$69,662**	**$71,090**

Source: *OMB Fiscal 2023 Executive Financial Plan*

As a result of these updates, OMB's tax revenue forecast now shows extremely slow growth of just 0.9 percent for Fiscal 2023, as compared to 2.9 percent in Preliminary Plan. This lower growth rate is not reflective of increased weakness in Fiscal 2023, but rather that much of the growth expected in Fiscal 2023 will happen in Fiscal 2022. The outyears of Fiscal 2024 to 2026 see relatively modest growth rates that average 2.4 percent.

Tax Policy in the Adopted State Budget and the Council's Response

The State Fiscal 2022-2023 Enacted Budget contains several of the City's priorities that impact the City's taxes. These include:

- Expansion of the New York City Earned Income Tax Credit (EITC). The credit will be expanded from 5 percent of the federal EITC to between 10 percent and 30 percent, depending on the taxpayer's income. The cost of this expansion is baselined at $250 million per year beginning in Fiscal 2023.
- Childcare Center Property Tax Abatement. This would provide a property tax abatement to property owners who create or expand space actively used for childcare in their buildings, with the exact abatement amount tied to the cost of undertaking the improvement. The cost of this proposal is baselined at $25 million per year beginning in Fiscal 2024.
- Childcare Business Tax Credit. This will provide a refundable tax credit for businesses that offer new childcare seats for their employees. The cost of this proposal is baselined at $25 million per year beginning in Fiscal 2024.
- NYC Sales Tax intercept for the Distressed Provider Assistance Account. This will provide relief to financially distressed hospitals and nursing home facilities. The cost to the City will be $150 million in Fiscal 2023, $150 million in 2024, and $150 million in 2025.
- Pass-through Entity Tax (PTET). This is an optional tax that partnerships and S-Corporations in NYC may elect to pay beginning January 2023. This will allow taxpayers to

save on federal taxes by avoiding the federal cap on state and local tax (SALT) deductions. This new tax is revenue neutral.

Other revenue-related changes in the City Fiscal 2023 Executive Financial Plan include:

- Small Business PIT Exemption Expansion. The State increased the Small Business Subtraction Modification from 5 percent to 15 percent of net business income or farm income, while expanding eligibility to include pass-through businesses with gross incomes under $1.5 million. This is expected to reduce PIT revenues by $10 million in Fiscal 2022 and $20 million annually in Fiscal 2023 and the outyears.
- Liquor License Surcharge Suspension. As part of New York City's economic recovery, Mayor Adams proposed the suspension of this surcharge for one year. As a result, small businesses in the City will be able to save $6 million in Fiscal 2023.

Not included in the Executive Budget was a Council request in its Preliminary Budget Response to provide a $150 property tax rebate to all households earning less than $250,000 that receive the basic and enhanced STAR tax breaks. Over the last 10 years, property tax bills for the City's homeowners grew faster than household incomes, meaning homeowners commit a growing proportion of their incomes to property taxes each year. The Council argued that providing property tax relief to homeowners would help alleviate some of the financial pressure caused by sustained increased property values. The Governor, along with both houses in Albany, has indicated strong support in favor of providing rebates to homeowners statewide, including New York City residents, and the State's rebate on its own will provide at least $293 in relief to NYC homeowners.

This proposed rebate would supplement the State's program with a City-funded rebate to provide expanded tax relief. A City-funded rebate of $150 per household, together with the State's rebate, would provide anywhere from $440 to over $800 to NYC households. The Council estimates the rebate would cost the City roughly $90 million in Fiscal 2023.

Appendix

New York City Council Finance Division - Tax Revenue Levels						
Dollars in Millions	**FY21***	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Real Property	$31,311	$29,672	$31,379	$32,402	$33,155	$34,632
Personal Income and PTET	15,101	16,341	14,547	15,018	15,496	16,114
Business Corporate	5,019	5,195	4,499	4,497	4,651	4,822
Unincorporated	2,077	2,286	2,269	2,279	2,302	2,329
Sales	6,552	8,609	8,904	9,248	9,548	9,985
Commercial Rent	869	869	913	950	980	1,008
Real Property Transfer	1,045	1,829	1,651	1,664	1,697	1,736
Mortgage Recording	896	1,396	1,325	1,298	1,266	1,249
Utility	356	395	399	403	409	423
Hotels	85	334	540	609	732	796
All Others	1,082	1,063	985	982	979	977
Audits	1,139	900	800	800	800	800
Total Taxes	**$65,534**	**$68,889**	**$68,211**	**$70,149**	**$72,016**	**$74,872**

**Actuals*
Source: New York City Council Finance Division, Fiscal 2023 Executive Budget

Fiscal 2023 Executive Financial Plan - OMB Revenue Plan					
Dollars in Millions	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Real Property	$29,427	$31,200	$31,692	$31,826	$31,836
Sales	8,129	8,375	8,734	9,175	9,692
Mortgage Recording	1,174	961	1,015	1,087	1,118
Personal Income	14,716	14,491	14,844	15,462	15,869
General Corporation	4,873	4,287	4,294	4,444	4,724
Banking Corporation	0	0	0	0	0
Unincorporated Business	2,234	2,178	2,281	2,366	2,463
Utility	385	379	395	403	418
Hotel	285	430	586	696	716
Commercial Rent	860	862	863	866	868
Real Property Transfer	1,625	1,395	1,529	1,636	1,688
Cigarette	20	18	17	16	16
All Other	897	823	823	823	823
Audit	871	722	722	722	721
Tax Program	0	0	0	0	0
STAR	146	144	142	140	138
Total Taxes	**$65,642**	**$66,265**	**$67,937**	**$69,662**	**$71,090**
Federal Categorical Grants	**$19,128**	**$9,356**	**$8,677**	**$7,958**	**$6,975**
State Categorical Grants	**$16,462**	**$16,757**	**$16,891**	**$17,136**	**$17,189**
Non-Governmental Grants (Other Cat.)	**$1,859**	**$1,764**	**$1,747**	**$1,745**	**$1,742**
Unrest. / Anticipated State & Federal Aid	**$792**	**$252**	**$0**	**$0**	**$0**
Miscellaneous Revenue					
Charges for Services	$904	$1,029	$1,033	$1,033	$1,033
Water and Sewer Charges	1,689	1,785	1,756	1,742	1,736
Licenses, Permits, Franchises	673	691	693	691	696
Rental Income	246	250	250	250	250
Fines and Forfeitures	1,165	1,076	1,090	1,090	1,090
Other Miscellaneous	411	336	336	335	335
Interest Income	13	107	161	195	217
Intra City	2,253	1,972	1,939	1,929	1,928
Total Miscellaneous	**$7,354**	**$7,246**	**$7,258**	**$7,265**	**$7,285**
Net Disallowances & Transfers	**($2,268)**	**($1,987)**	**($1,954)**	**($1,944)**	**($1,943)**
Total Revenue	**$108,969**	**$99,653**	**$100,556**	**$101,822**	**$102,338**
City Funds	**$71,520**	**$71,776**	**$73,241**	**$74,983**	**$76,432**
Federal & State Revenue	**$35,590**	**$26,113**	**$25,568**	**$25,094**	**$24,164**
Federal & State as a Percent of Total	**32.66%**	**26.20%**	**25.43%**	**24.64%**	**23.61%**
City Funds as a Percent of Total Revenue	**65.63%**	**72.03%**	**72.84%**	**73.64%**	**74.69%**

Source: *OMB Fiscal 2023 Executive Financial Plan*

Fiscal 2023 Executive Financial Plan - Changes from the Preliminary Plan					
Dollars in Millions	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Taxes					
Real Property	$19	$310	$543	$500	$448
Sales	414	232	(93)	(251)	(8)
Mortgage Recording	174	42	44	63	57
Personal Income	534	(250)	(485)	(496)	(396)
General Corporation	264	(265)	(232)	(198)	(174)
Banking Corporation	0	0	0	0	0
Unincorporated Business	60	(42)	(8)	(1)	23
Utility	9	0	7	9	16
Hotel	30	80	66	66	66
Commercial Rent	(34)	(65)	(90)	(115)	(135)
Real Property Transfer	137	60	120	152	168
Cigarette	0	0	0	0	0
All Other	55	(10)	(10)	(10)	(10)
Audit	(50)	1	1	1	0
Tax Program	-	300	300	300	300
STAR	0	0	0	0	0
Total Taxes	**$1,612**	**$393**	**$163**	**$20**	**$355**
Federal Categorical Grants	**$1,114**	**($29)**	**$33**	**$30**	**$73**
State Categorical Grants	**($28)**	**$340**	**$249**	**$248**	**$246**
Non-Governmental Grants (Other Cat.)	**($20)**	**$17**	**$9**	**$9**	**$10**
Unrest. / Anticipated State & Federal Aid	**($252)**	**$252**	**$0**	**$0**	**$0**
Miscellaneous Revenue					
Charges for Services	($98)	$0	$0	$0	$0
Water and Sewer Charges	7	111	99	86	80
Licenses, Permits, Franchises	1	1	1	1	1
Rental Income	0	4	3	4	4
Fines and Forfeitures	72	0	0	0	0
Other Miscellaneous	18	(4)	(3)	(3)	(3)
Interest Income	4	32	31	21	21
Intra City	100	122	91	91	90
Total Miscellaneous	**$104**	**$266**	**$222**	**$200**	**$193**
Net Disallowances & Transfers	**($100)**	**($122)**	**($91)**	**($91)**	**($90)**
Total Revenue	**$2,430**	**$1,117**	**$585**	**$416**	**$787**
City Funds	**$1,364**	**$789**	**$294**	**$129**	**$458**
Federal & State Revenue	**$1,086**	**$311**	**$282**	**$278**	**$319**

Source: *OMB Fiscal 2023 Executive Financial Plan and Fiscal 2023 Preliminary Financial Plan*