



New York City Council  
Finance Division

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NEW YORK CITY COUNCIL SPEAKER

**Hon. Justin Brannan**  
FINANCE COMMITTEE CHAIR

**DEC 2025**

# Economic and Tax Revenue Forecast

*PREPARED BY*

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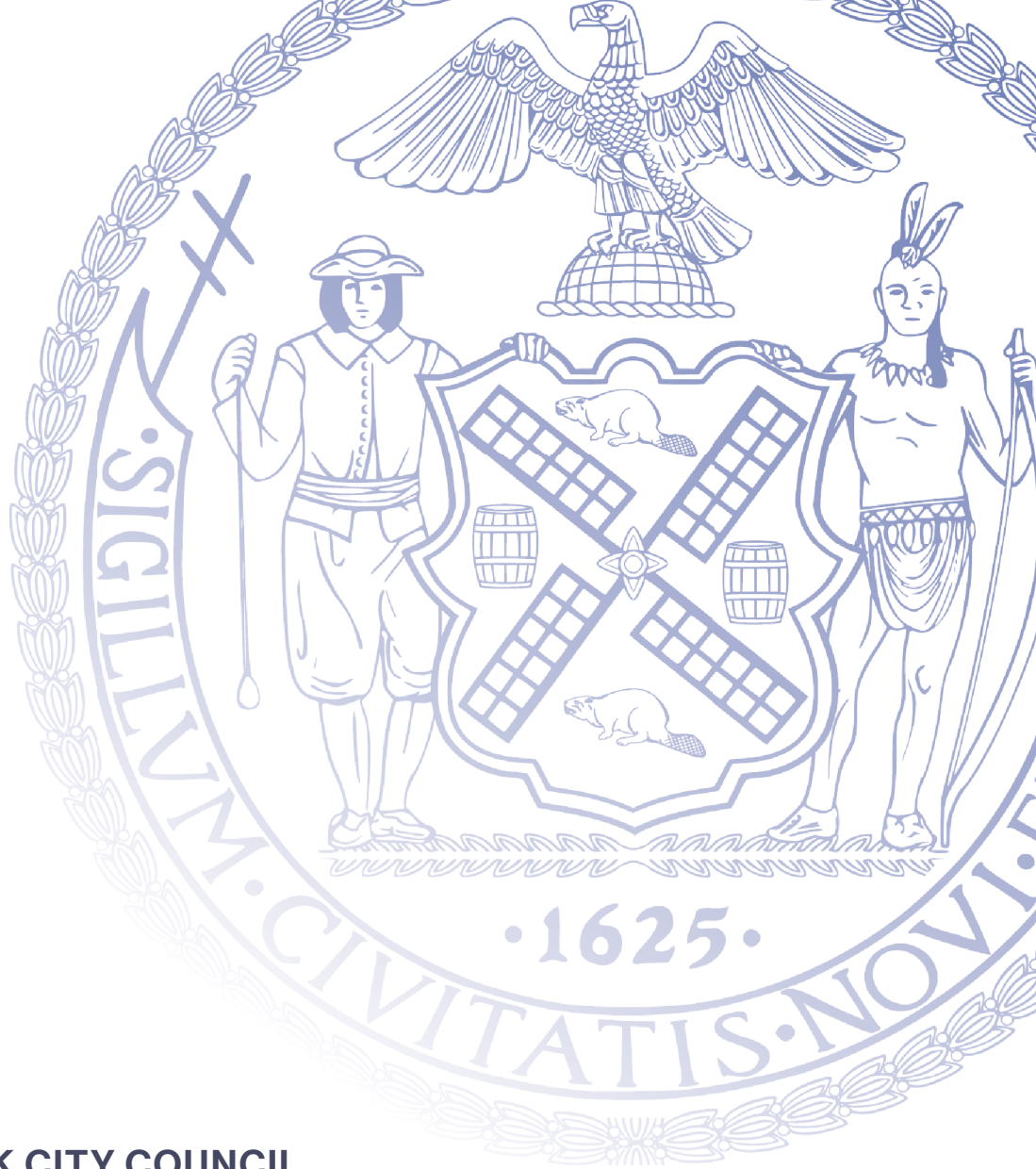
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## **ABOUT NEW YORK CITY COUNCIL FINANCE DIVISION**

The Council's Finance Division is a team of analysts, attorneys, economists, and administrative staff who provide Council Members with research on budgetary actions and their fiscal impact. They also work with Council Members to monitor and evaluate agency spending.

Learn more at [council.nyc.gov/budget](https://council.nyc.gov/budget)

## Overview

### > The Council's current outlook sees bifurcated growth in economic activity

Economic activity is expected to increase compared to Council's May forecast though the growth is heavily driven by aggregate demand stemming from high income consumers. Elevated prices continue to weigh on low and middle-income consumers. Business investment has increased in 2025 as firms ramped up imports of capital goods and spending in intellectual property products.

### > The Council forecasts that tax revenues will still grow at a moderate annual pace of 3.4 percent.

Current projections are still lagging in comparison with the previous expansion between 2010 and 2019, when tax revenues grew at an annual average rate of 5.5 percent.

### > The Council forecasts \$3.4 billion in additional tax revenues above OMB's November Plan in Fiscal 2026 and 2027

OMB's November plan shows tax revenues will grow at an average annual rate of 2.4 percent over the plan period. It should be noted that while the Council's forecast incorporates collections and economic data through October 2025, OMB's November plan only reflects year to date collections update rather than a full reforecast of the city's taxes.

## Calendar Year 2026 Economic Indicators Forecast

\*YoY= Year-over-Year

**HEADLINE  
INFLATION**  
2.9%

**FEDERAL  
FUNDS RATE**  
3.4%

**REAL GDP/GCP**  
US: 2.2% YoY\*  
NYC: 2.5% YoY

**UNEMPLOYMENT  
RATE**  
US: 4.5%  
NYC: 5.2%

**PRIVATE  
EMPLOYMENT**  
US: 0.6% YoY  
NYC: 2.0% YoY

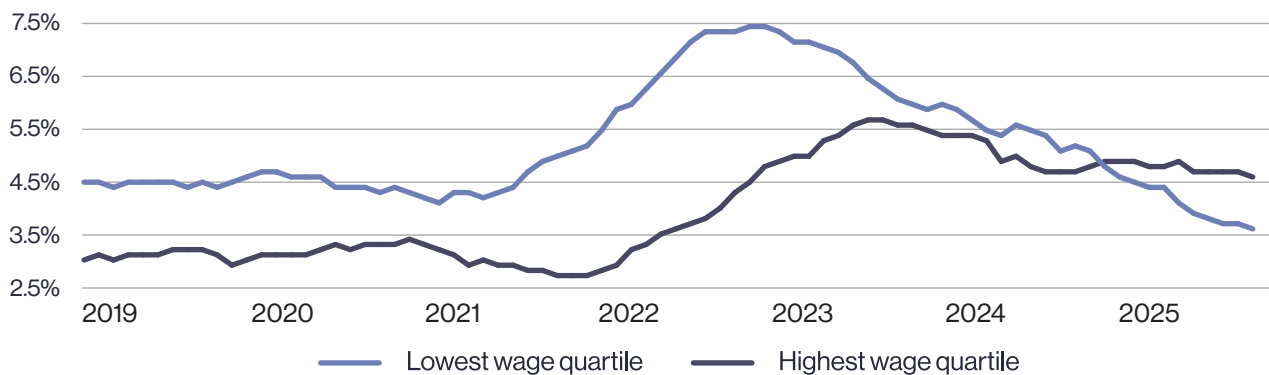
## NATIONAL ECONOMY

# Current Economic Environment Suggesting Uneven Growth

- National economy continued to expand despite the uncertainty and challenges from tariffs and trade policy turmoil during second and third quarters of 2025.
- Consumers pulled their purchases forward and businesses imported capital goods and continued investment in information and intellectual property products boosting the second and third quarter real GDP to 3.8 percent and 3.2 percent respectively in 2025.
- Consumer spending is highly concentrated in high-income consumer demand, while low-income households are strained by the elevated prices. The gap between the highest and lowest wage quartiles continue to widen as shown in the graph below, reflecting a declining pattern in low-income consumers' purchasing power.
- Government shut down delayed both September and October employment reports. Labor market conditions continue to gradually cool down with recently published preliminary September nonfarm payroll employment registering 119,000 additional jobs, showing minor change since April.<sup>i</sup>
- Businesses used existing inventory build up to meet the demand which somewhat slowed down the tariffs' impacts onto consumer prices.
- Both headline consumer price index (CPI) and core CPI excluding volatile food and energy prices rose by 3.0 percent year over year in September, still running above the Fed's inflation target.
- The Federal Reserve reduced policy interest rates by 0.5 percent since September due to labor market concerns caused by tariffs and elevated uncertainty in the economy.

FIGURE 1

## Average Wage Growth



SOURCE: Current Population Survey, Bureau of Labor Statistics, and Federal Reserve Bank of Atlanta

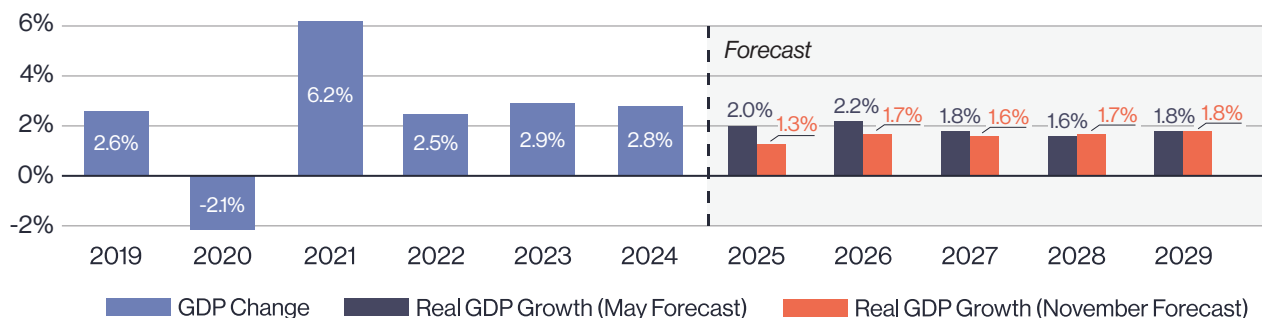
\*Data shows 12 month moving average of monthly median hourly wage growth for each wage quartile.

**Going forward, the Council expects economic activity to expand moderately aided by the Federal Reserve's policy rate reductions and recently passed federal budget bill.**

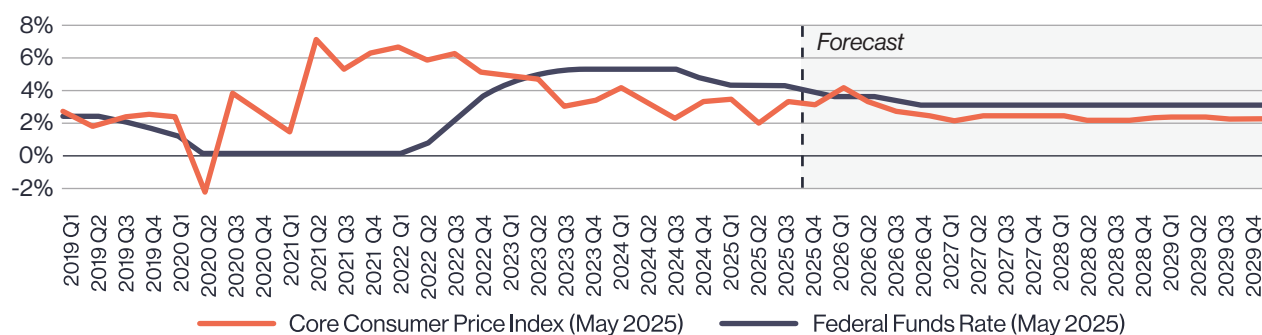
- The Council anticipates real GDP to grow at 2.0 percent in 2025, followed by 2.2 percent in 2026 due to expected increase in disposable income stemming from recently passed federal personal income tax cuts. Government shut down slightly shifted some of the growth from fourth quarter of 2025 to first quarter of 2026.
- Consumer spending is expected to stay above 2 percent in 2026, driven mainly by demand from high income consumers, suggesting a one-sided growth in economic activity going forward, while low and middle income households are struggling with elevated prices.
- Job growth will continue to soften and the unemployment rate is expected to increase to 4.5 percent in 2026.
- The Federal Reserve is expected to reduce the current policy rates further in December and resume rate reduction in the second half of 2026 as economic activity moderates and unemployment starts to pick up.
- Inflation, as measured by the Core Consumer Price Index (excluding volatile energy and food prices), is expected to reflect further price adjustments due to tariffs in 2026, before it starts to gradually decline to 2.3 percent by 2028 from its current 3.0 percent level.
- The Federal Reserve is anticipated to keep the policy rate around 3 percent throughout the forecast period which will keep economic growth below its long run average.

**FIGURE 2**

### U.S. Real GDP Change

**FIGURE 3**

### U.S. Consumer Price Index vs U.S. Federal Funds Rate (2019-2029)



SOURCE: U.S. Bureau of Economic Analysis, Council Finance

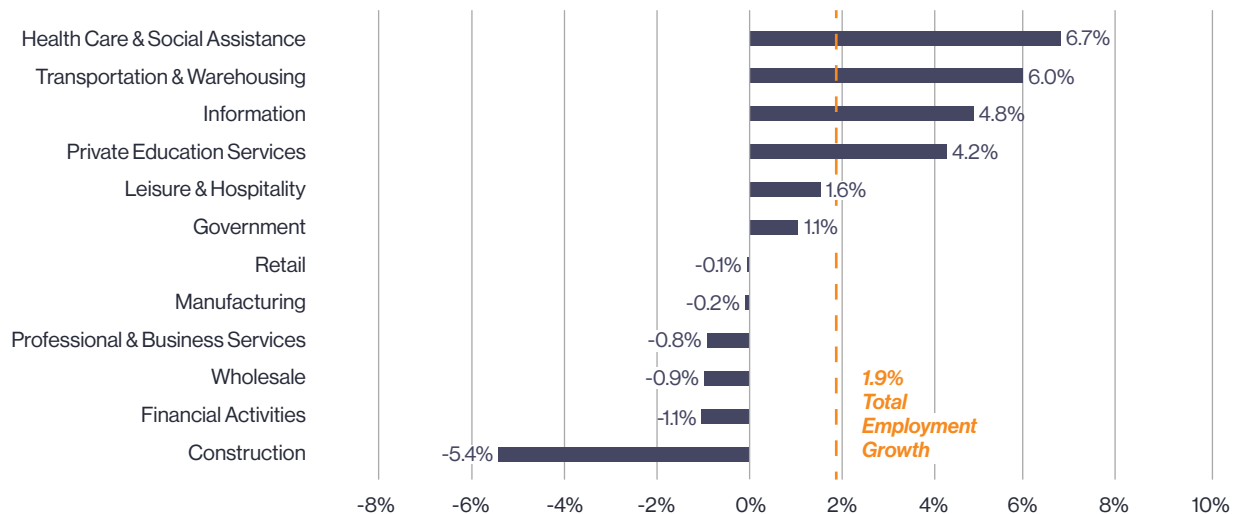
## CITY ECONOMY

# NYC Economy Maintains Continued, Albeit Modest, Growth

- Total payroll employment in the City grew by 89,100 positions, a 1.9 percent increase as of August year-over-year, slower than in prior years. During the last expansion from 2010 to 2019, average annual employment growth was 2.2 percent.
- The major driver of employment growth has continued to be in sectors that on average pay low wages. Home healthcare and social assistance, classified within health care and social assistance, remain the fastest growing sub-sector with a year over year growth rate of 8.3 percent, adding 49,000 positions.
- Meanwhile, financial activities sector lost 5,900 positions, a decline of 1.1 percent, with its high earning securities industry losing 9,100 positions, a 4.4 percent year over year decline. Information sector gained 10,700 jobs, a 4.8 percent year over year increase.
- Concerning Manhattan office vacancy rates, over the last two quarters rates have inched down slightly from 22.7 percent to 22 percent in the third quarter of 2025.

FIGURE 4

## NYC Sector Comparison: August 2024 to August 2025 Employment Growth



SOURCE: NY State Department of Labor, Current Employment Statistics

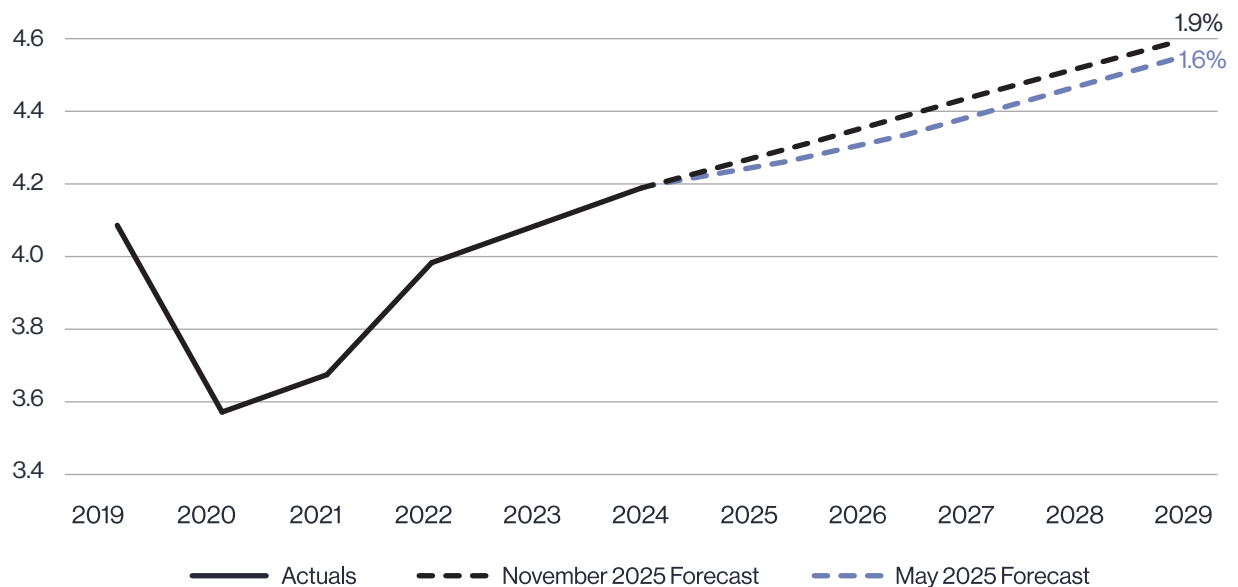
■ % Change Year-over-Year

## Council's City employment growth projection slightly improved from its May forecast.

- Private sector payroll employment in the City is expected to grow at a moderate annual average of 1.9 percent from 2026 to 2029.
- In the previous expansion from 2010 to 2019, employment climbed by an annual average of 2.6 percent.
- As with the national economy, high interest rates will continue to temper business expansion in the City, and consequently employment growth.
- Because of slower pass-through of tariffs to consumer prices and elevated uncertainty, sectors paying medium-to-high average wages are expected to experience zero to minimal employment growth in 2026, and a return to appreciable job growth in the following years.
- Manhattan office vacancies are expected to continue to gradually decline, aided by increasing office to residential space conversions coupled with the limited construction pipeline.

FIGURE 5

### Private Sector Payroll Employment Levels in NYC (Millions)



SOURCE: NY State Department of Labor, Council Finance Division



COUNCIL TAX FORECAST

# Stronger in 2026 than its May Forecast

The Council’s tax revenue forecast recognizes \$561 million more in Fiscals 2026 and 2027 than it did in May.

- The Council still expects tax revenue growth to average 3.4 percent annually through the forecast period, with slightly higher revenues in 2026.
- Higher tax revenue expectations are mainly due to the stronger personal income tax revenue growth in Fiscal 2026, while other years are slightly weaker.
- Despite the improvement from May, the current forecast still represents slower growth in collections compared to the 5.5 percent average annual tax revenue growth the City experienced in Fiscal 2010 through 2019.

FIGURE 6

## New York City Council’s November 2025 Tax Forecast

TAX (MILLIONS)	FY2026	FY2027	FY2028	FY2029
REAL PROPERTY	\$35,522	\$37,101	\$38,774	\$40,417
PERSONAL INCOME AND PTET	\$19,112	\$19,349	\$20,075	\$20,694
BUSINESS	\$10,245	\$10,384	\$10,423	\$10,622
SALES	\$10,871	\$11,309	\$11,822	\$12,302
OTHER REAL ESTATE TAXES	\$3,213	\$3,537	\$3,673	\$3,816
ALL OTHER TAXES AND AUDITS	\$3,639	\$3,718	\$3,780	\$3,849
TOTAL TAXES	\$82,602	\$85,399	\$88,547	\$91,700

\*Totals may not add up due to rounding.



**Although the Council projects weaker than normal tax growth, it still expects \$3.4 billion more collections than OMB over Fiscals 2026 and 2027.**

- The comparison is not strictly 'apples to apples' because OMB's revenue update was limited to recognizing current year collections to date, compared to the Council's fully updated economic and tax forecast based on available data.
- The largest share of the additional tax revenue expected by the Council comes from the real property, personal income, and sales taxes.

**FIGURE 7**

**Comparing OMB's November Plan and the Council's November Forecast  
Total Tax Revenue (\$ Billions)**

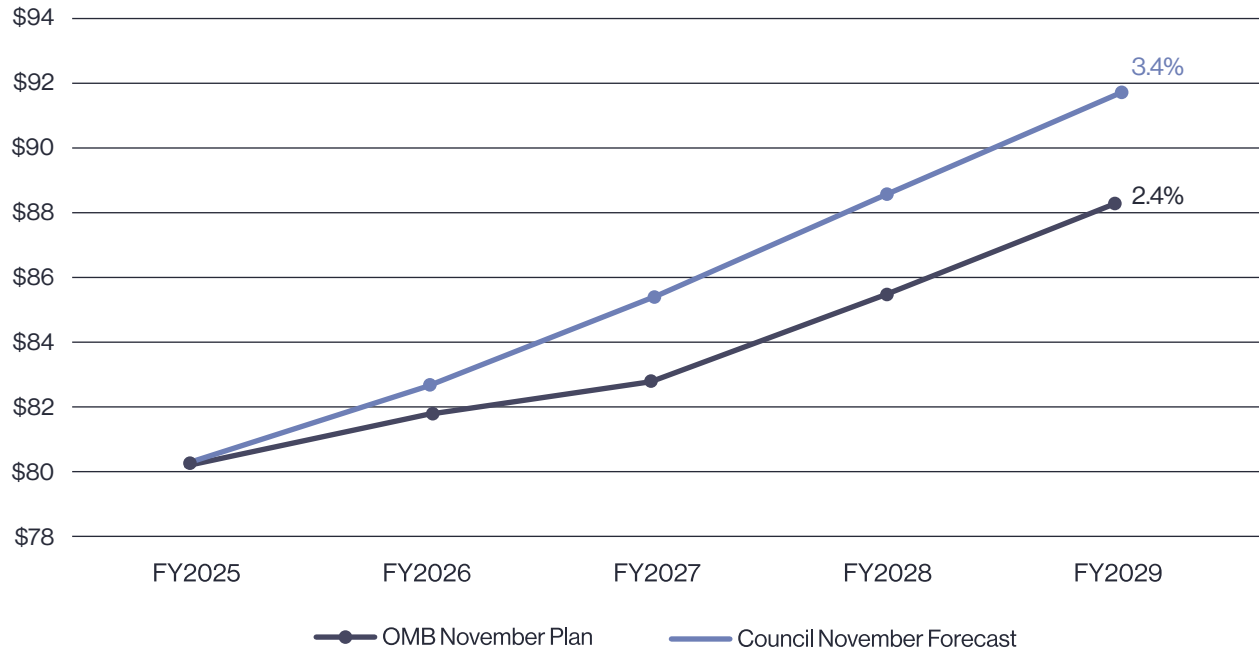


FIGURE 8

Differences between Council’s November 2025 Tax Forecast and OMB November Plan

TAX (MILLIONS)	FY2026	FY2027	FY2028	FY2029
REAL PROPERTY	\$301	\$577	\$1,171	\$1,700
PERSONAL INCOME AND PTET	\$386	\$1,069	\$896	\$711
BUSINESS	(\$262)	\$110	\$72	\$5
SALES	\$166	\$268	\$338	\$391
OTHER REAL ESTATE TAXES	\$126	\$318	\$327	\$347
ALL OTHER TAXES AND AUDITS	\$143	\$227	\$263	\$245
TOTAL TAXES	\$860	\$2,570	\$3,067	\$3,399

\*Totals may not add up due to rounding.

# What Changed in the Council's Forecast?

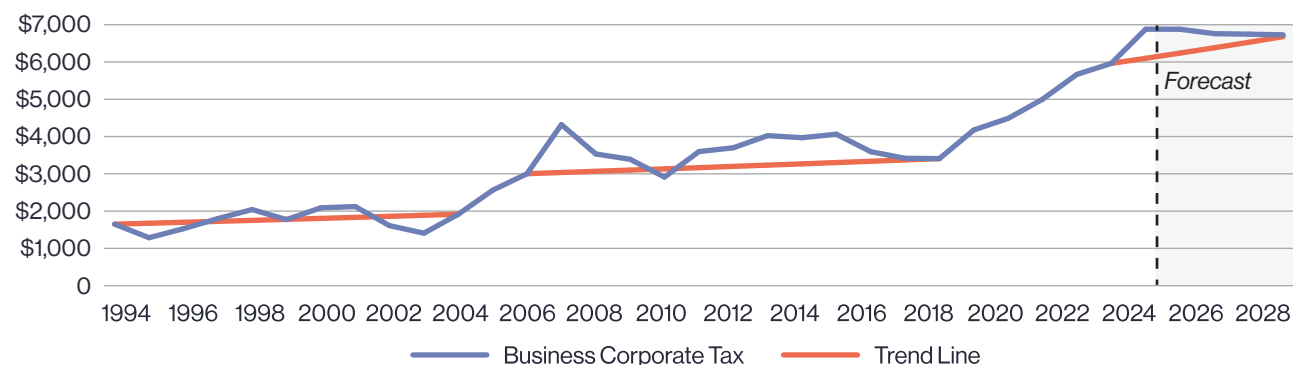
**The Council's current tax forecast recognizes moderately more revenue than its May projections, incorporating recent collection trends for individual taxes and forecasted updates based on available economic data. Revisions were largely in the following taxes:**

## Business Taxes

- Business corporate tax tends to oscillate following multiple years of growth based on historical trends.
- After six years of robust growth, business corporate tax started plateauing in 2025.
- Council's forecast is revised to capture cooling corporate profits and elevated volatility.

**FIGURE 9**

## Business Corporation Tax Collections (\$ Millions per Fiscal Year)



## Personal Income Tax and Pass-Through-Entity-Tax (PIT/PTET)

- Income taxes are volatile, making it harder to gauge performance, despite that, wage growth has remained steady and recent collections data shows a stronger outlook as higher capital gains realization and wage growth raised PIT collections for Fiscal 2026.
- Heightened volatility and moderate job growth will result in out year PIT growing below long-run levels.

## Sales Tax

- Consumer spending is expected to increase due to higher disposable income aided by the recently passed federal personal income tax cuts.
- The Council raised its collections' projections to capture anticipated boost in the consumer demand.



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