New York City Council
Finance Division

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MAY 2025

Economic and Tax Revenue Forecast

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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.

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Overview

The Council's current outlook sees continued albeit slower growth in economic activity and elevated price pressures compared to its February forecast

The National economy is anticipated to grow slower than the long run trend, with price level adjustments due to tariffs in 2025. The Council's outlook still anticipates the long run inflation to stay anchored towards the 2 percent target inflation rate. New York City's economy is similar. The moderation in job growth continues, while the mix of job gains, still skewed towards low-paying positions, needs to be monitored.

The Council forecasts that tax revenues will still grow at a moderate annual pace of 4.5%, but the revenues are front loaded towards 2025.

This is the same as the Council's February forecast of 4.5%, though the timing has shifted. The revenues are expected to be higher in 2025 followed by slightly weaker revenues in 2026 and forward. Current projections still pale in comparison with the previous expansion between 2010 and 2019, when tax revenues grew at an annual average rate of 5.5%.

The Council forecasts $1.7 billion in additional tax revenues above OMB's Executive Plan in Fiscal 2025 and 2026

OMB's forecast shows tax revenues will grow at an average annual rate of 3.6 %. It should be noted that while the Council's forecast incorporates collections and economic data through mid-May 2025, OMB's forecast only covers collections through March.

Calendar Year 2025 Economic Indicators Forecast

HEADLINE INFLATION
3.4%

FEDERAL FUNDS RATE
4.3%

REAL GDP/GCP
US: **1.3% YoY***
NYC: **1.8% YoY**

UNEMPLOYMENT RATE
US: **4.4%**
NYC: **5.7%**

PRIVATE EMPLOYMENT
US: **1.0% YoY**
NYC: **1.4% YoY**

**YoY= Year-over-Year*

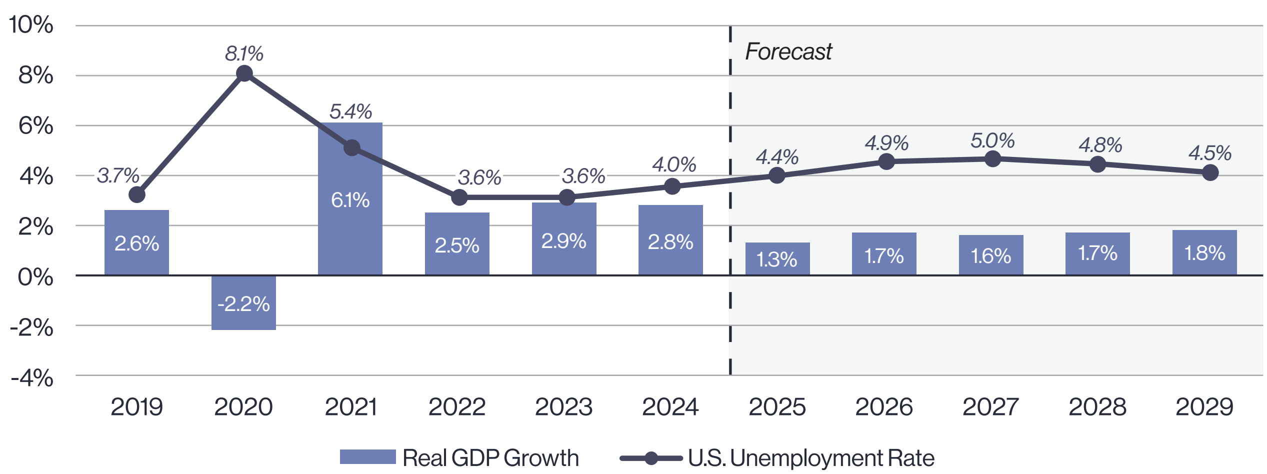
NATIONAL ECONOMY

Economic Activity Continues to Show Resilience, Albeit Slower Growth Projections

- Real GDP grew robustly at 2.8% in 2024, above the potential long-run growth rate of around two percent. Prior to the tariffs and trade policy turmoil, the economy was on course to grow at a healthy rate of around 2.1% in 2025, with stable labor market and orderly moderation in momentum.
- April 2nd tariff announcements and following trade negotiations has marked a sudden shift in trade policy while elevating uncertainty. Despite the initial decline in the equity markets since April 2nd announcements on tariffs, the markets recovered most of the losses as the news on further trade negotiations continue to unfold.
- Domestic demand continues to show resilience since consumers and businesses pull some purchases forward as a response to avoid tariffs. Real final sales to private domestic purchasers which includes the sum of consumption, and gross private fixed investments, increased by 3% in the first quarter of 2025 compared with prior quarter growth rate of 2.9 %, suggesting a steady domestic demand.
- U.S. payroll employment expanded by 177,000 jobs in April (seasonally adjusted), exceeding the average monthly gain of 152,000 over the prior twelve months.
- April's headline consumer price index (CPI) increased by 2.3 %, while core CPI excluding volatile food and energy prices rose by 2.8% year over year.
- The Federal Reserve kept policy rates stable for several months due to volatility and price pressures caused by tariffs and uncertainty surrounding federal fiscal policy.

FIGURE 1

U.S. Real GDP Change vs U.S. Unemployment Rate



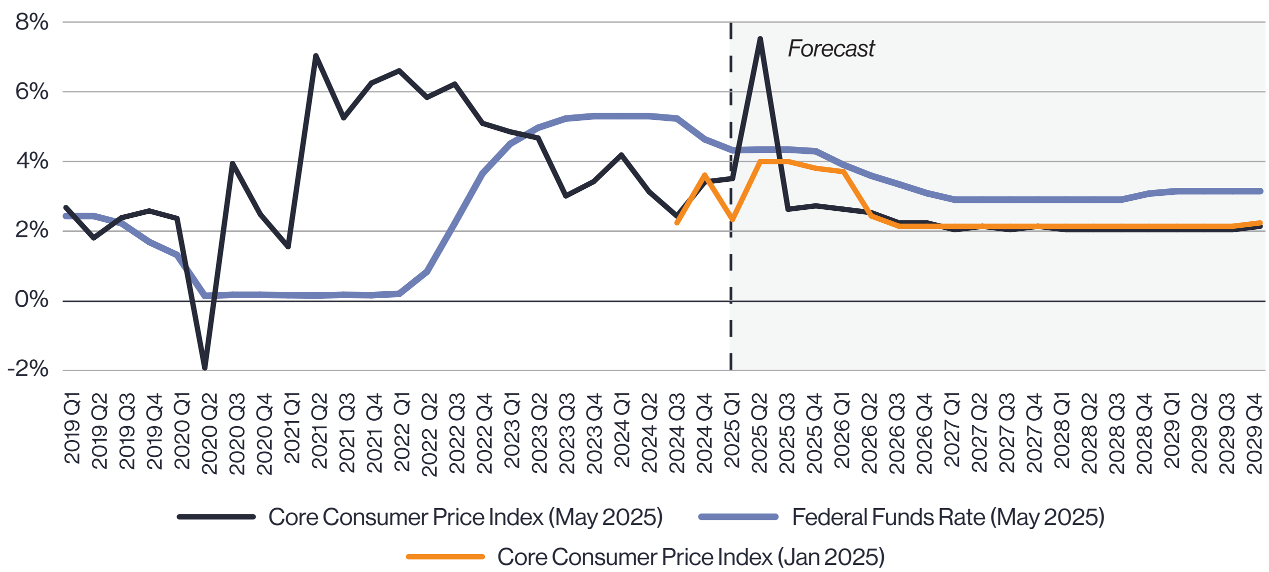
SOURCE: U.S. Bureau of Economic Analysis, Council Finance

Going forward, the Council expects economic growth to moderate below 2% due to the increased uncertainty with the federal policy landscape and the cooling impacts of the still elevated interest rates on the economic activity.

- The Council anticipates economic growth to moderate to 1.3% in 2025 due to tariffs. Job growth will continue to slow and the unemployment rate is expected to gradually increase during the forecast years, peaking at 5.0% in 2027.
- Consumer spending will cool down, in response to softening labor market and still-elevated borrowing costs.
- The Federal Reserve is expected to maintain the current policy rate for the near future and resume further rate easing 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 a price adjustment due to tariffs in 2025, before it starts to gradually decline to 2.1% by the beginning of 2027 from its current 2.8%.
- The Fed's slower pace of rate reductions will maintain the high-interest-rate environment longer than previously anticipated, weakening investment and borrowing while keeping economic growth below its long run average.

FIGURE 2

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 Continues to Follow a Modest Growth Path

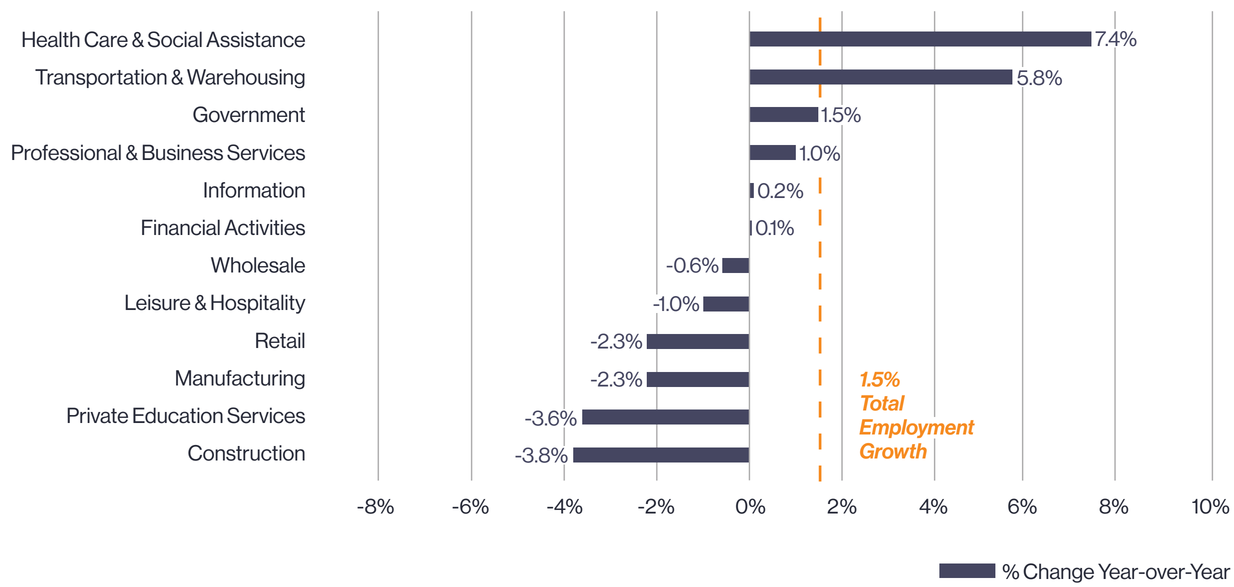
- Total payroll employment in the City grew by 1.5% as of April year-over-year, slower than in prior years. During the last expansion from 2010 to 2019, average annual employment growth was 2.2%.

- The major driver of employment growth has continued to be in sectors that on average pay low wages. Home health care and social assistance (reported within health care & social assistance) comprise 85.5% of total year-over-year job growth. Both sub-sectors are benefitting from the baby boomers reaching seniority.

- Sectors paying moderate-to-higher average wages, such as financial activities and information, had little to no growth year-over-year. These sectors are especially dependent on credit, and weakened by the present high interest rate environment.

FIGURE 3

NYC Sector Comparison: April 2024 to April 2025 Employment Growth



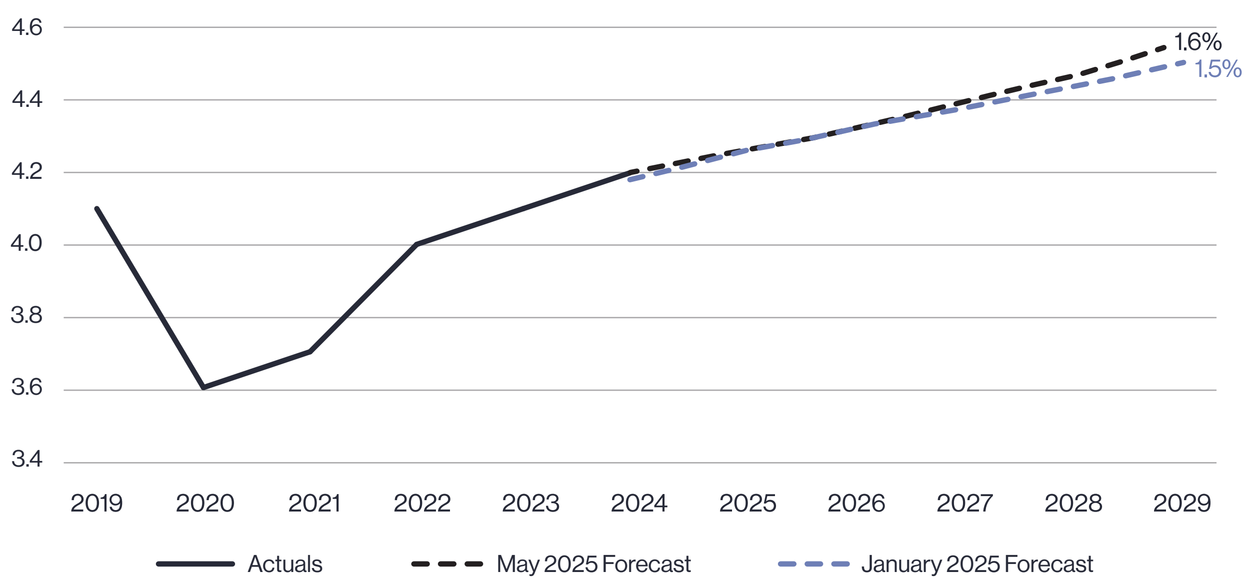
SOURCE: NY State Department of Labor, Current Employment Statistics, April 2025

Council's City employment growth projection remains largely the same as its February forecast.

- Private sector payroll employment in the City is expected to grow at a moderate annual average of 1.6% from 2025 to 2029.
- In the previous expansion from 2010 to 2019, employment climbed by an annual average of 2.6%.
- As with the national economy, high interest rates will continue to temper business expansion in the City, and consequently employment growth.
- Because of the longer than expected persistence of inflationary pressures and uncertainty, sectors paying medium-to-high average wages are expected to experience zero to minimal employment growth in 2025, and a return to appreciable job growth in the following years.
- Concerning Manhattan office vacancy rates, over the last two quarters rates have inched-down slightly from 23.6% to 22.7%. Vacancy rates are expected to continue to come down very gradually, but remain well above pre-Covid levels.

FIGURE 4

Private Sector Payroll Employment Levels in NYC (Millions)



SOURCE: NYC Department of Labor, Council Finance Division

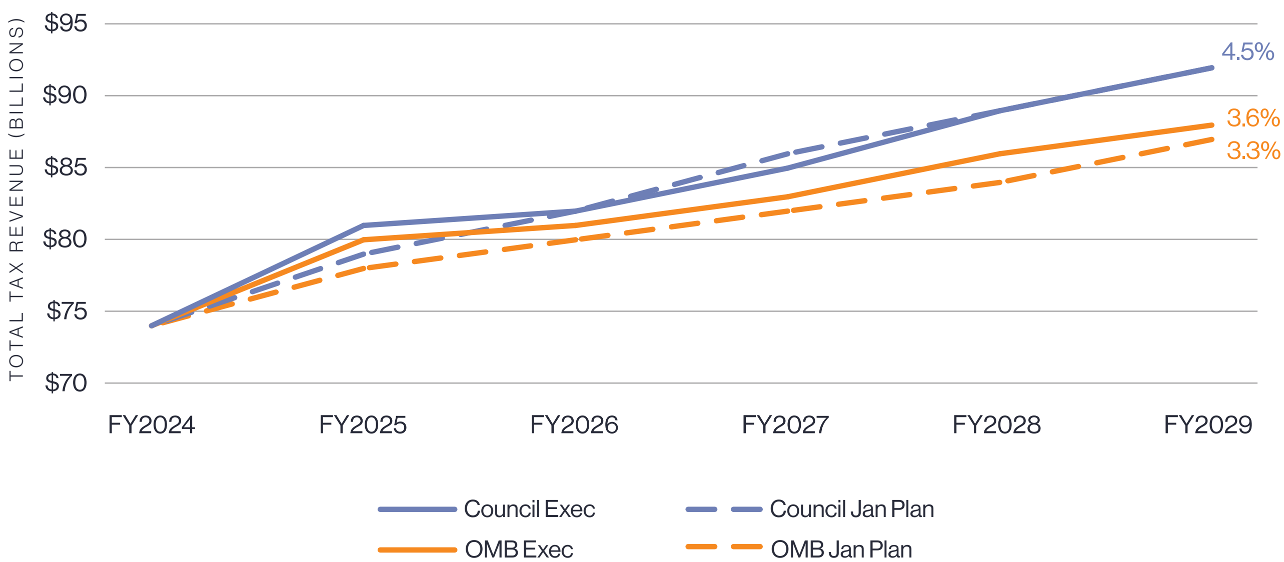
COUNCIL TAX FORECAST

Tax Revenues Forecast $1.3B More in Fiscals 2025 and 2026 Than in February Forecast

- The Council still expects tax revenue growth to average 4.5% annually through the forecast period, with shifts in timing.
- Higher tax revenue expectations are mainly due to the stronger personal income tax and unincorporated business tax revenue growth in Fiscal 2025, while other years are slightly weaker.
- Despite the improvement from February, the current forecast still represents slower growth in collections compared to the 5.5% average annual tax revenue growth the City experienced in Fiscal 2010 through 2019.

FIGURE 5

Comparison of Total Tax Revenue Projections with Average Growth Rates from Fiscal 2025 to Fiscal 2029



Council's May 2025 Tax Forecast

TAX (MILLIONS)	FY2025	FY2026	FY2027	FY2028	FY2029
REAL PROPERTY	$34,713	$35,506	$37,075	$38,749	$40,391
PERSONAL INCOME AND PTET	$18,337	$18,186	$18,946	$19,668	$20,538
BUSINESS CORPORATE	$7,419	$7,381	$7,454	$7,481	$7,509
UNINCORPORATED	$3,368	$3,461	$3,605	$3,747	$3,914
SALES	$10,281	$10,702	$11,205	$11,743	$12,341
COMMERCIAL RENT	$955	$969	$989	$1,016	$1,043
REAL PROPERTY TRANSFER	$1,296	$1,373	$1,491	$1,589	$1,635
MORTGAGE RECORDING	$773	$840	$905	$959	$1,007
UTILITY	$467	$518	$550	$567	$583
HOTELS	$775	$801	$884	$903	$949
ALL OTHER TAXES	$1,422	$1,398	$1,375	$1,401	$1,428
AUDITS	$912	$912	$912	$912	$912
TOTAL TAXES	**$80,719**	**$82,048**	**$85,392**	**$88,735**	**$92,250**

Although the Council projects weaker than normal tax growth, it still expects $1.7 billion more than OMB over Fiscals 2025 and 2026.

- Both Council and OMB undertook a full reforecast of economy & taxes. OMB's economic forecast reflects outlook and collections through March.
- The Council's forecast incorporates economic and collections data through mid-May.
- The largest share of the additional tax revenue expected by the Council comes from the real property, personal income, and business taxes.

Differences between Council's May 2025 Tax Forecast and OMB Executive Plan

TAX (MILLIONS)	FY2025	FY2026	FY2027	FY2028	FY2029
REAL PROPERTY	$279	$146	$490	$1,085	$1,614
PERSONAL INCOME AND PTET	$108	$502	$666	$489	$555
BUSINESS CORPORATE	$108	($85)	$508	$518	$354
UNINCORPORATED	$35	$191	$277	$359	$452
SALES	($7)	$12	$164	$259	$430
COMMERCIAL RENT	$24	$18	$23	$37	$51
REAL PROPERTY TRANSFER	($4)	$39	$99	$136	$119
MORTGAGE RECORDING	$3	$28	$44	$45	$46
UTILITY	$22	$61	$24	$68	$52
HOTELS	$20	$18	$73	$65	$83
ALL OTHERS	0	0	0	0	0
AUDITS	$87	$103	$133	$133	$133
TOTAL TAXES	**$676**	**$1,033**	**$2,502**	**$3,194**	**$3,889**

What Changed in the Council's Forecast?

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

Business Taxes Adjusted Up for Fiscal 2025:

- Improvement is based on continuing outperformance of unincorporated business tax collections resulting in higher forecast.
- The gains in the business taxes will be offset by anticipated weakness in corporate business taxes due to tariffs and elevated volatility in corporate earnings.
- However, business taxes are still expected to see a pullback following six consecutive years of robust growth through the forecast period.

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 stronger outlook as higher bonus pool based on 2024 corporate profits raised PIT collections for Fiscal 2025.
- Heightened volatility and moderate job growth will result in outyear PIT growing below long-run levels.

Property Tax Forecast Increased for Fiscals 2025 and 2026

- The Council raised its collections projections slightly reflecting the final Fiscal 2026 assessment roll that was published by the Department of Finance in May and improvements in the property tax delinquency rate.

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