

Dollars, Sense, and the 2025 Mayoral Election: Affordability, Tax Policy, and the Future of New York

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Although the economy has not been a major focus in the media discussion of the 2025 New York City mayoral race, post-Covid economic forces have a lot to do with shaping the issues resonating with voters. Affordability, after all, is a function of costs and incomes. The cost of housing and child care, the two biggest costs for families with young children, rising faster than wages creates an affordability squeeze.

Much is made of the fact that New York City has recouped the total number of jobs lost during Covid. Yet, economic trends over the past five years have not been favorable for most New Yorkers. Inflation-adjusted median incomes have fallen, poverty and child poverty have risen, economic hardships have grown, income growth has been concentrated at the top, and income disparities have resumed widening after a leveling-off in the half-dozen pre-Covid years.

Pandemic health impacts were massively uneven by class and race. Outmigration from New York City since the onset of Covid-19 has been concentrated among middle- and low-income households, with affordability challenges likely a significant push factor.

Just as concern about rising income inequality played an important role in the 2013 New York City mayoral race (recall Bill de Blasio's "Tale of Two Cities") Zohran Mamdani, the Democratic candidate for New York City mayor, has made affordability the centerpiece of his campaign platform. Mamdani has proposed, among other policies, boosting the minimum wage and raising New York City income taxes on millionaires by two percentage points to finance universal child care.

This brief examines economic trends in New York City since 2019 (pre-pandemic) and addresses the minimum wage and millionaire tax proposals.

NYC economic trends since 2019—falling incomes, rising poverty, and income inequality

In the half-dozen years pre-pandemic, the combination of the doubling of the minimum wage and strong job growth (New York City experienced full employment in the two pre-pandemic years) fostered the strongest wage and income growth for the bottom half of New York City families since the 1960s. Poverty declined significantly and income polarization stabilized for the first time since the 1970s.¹

¹ James A. Parrott, *Full Employment and Raising Wages: New York City's Twin Economic Challenges in Emerging from the Pandemic*, Center for New York City Affairs, March 2022.

For the most recent five-year period reflected in published U.S. government data, 2019-24, nationally there was a slight 0.9 percent increase in inflation-adjusted median household income. Yet, New York City had a sharp 4.9 percent falloff in real median household income, putting the city’s median income level of a little over \$81,000, on a par with the nation’s. New York City not only had the steepest drop among the nation’s 10 largest cities, but ran counter to the fortunes of median families in several large cities. Phoenix saw a 13.7 percent rise in real median household income (partly due to significant state minimum wage increases) and San Diego, Chicago, and Dallas all had median increases in the 6-to-9 percent range. See Figure 1.²

Figure 1

New York City was alone among the 10 largest cities in having a statistically significant decline (-4.9%) in real median household income 2019-24

Median household income (\$2024)	2019	2024	% change 2019-24
U.S.	\$80,872	\$81,604	0.9%
New York City	\$85,420	\$81,228	-4.9%
Phoenix	\$74,988	\$85,246	13.7%
Dallas	\$68,098	\$74,323	9.1%
Chicago	\$76,071	\$80,613	6.0%
San Diego	\$105,234	\$111,032	5.5%
Philadelphia	\$58,427	\$60,521	3.6%
San Jose	\$142,630	\$148,226	n.s.
Los Angeles	\$82,972	\$82,263	n.s.
San Antonio	\$66,152	\$66,176	n.s.
Houston	\$64,551	\$64,361	n.s.

n.s: 2019-24 change not significantly different than zero
 Source: Census Bureau, American Community Survey

U.S. Bureau of Labor Statistics wage data show faster wage growth from 2019-2024 for the highest-paid New York City workers than for all other workers. Center for New York City Affairs economist Mohamed Obaidy estimates that the highest-paid three percent of all city workers

<https://static1.squarespace.com/static/5953059b1b10e384f55aad08/t/68d6a9233b3b61383d36e877/1758898467585/CNYCA+Twin+Challenges+Mar+15+2022.pdf>

² U.S. Bureau of the Census, 2019 and 2024 American Community Surveys.

(with annual wages of \$312,000 or more) saw their real hourly wages rise by 34.5 percent, more than four times the 7.5-8.5 percent increases received by the lowest three-fifths of workers.³

Figure 2

From 2019-24, the highest-paid 3 percent of New York City workers had real hourly wage gains more than four times greater than the 60 percent of workers with low- and middle-wages

Inflation-adjusted hourly wage change, 2019-24



Source: Mohamed Obaidy, *While the Top Three Percent of Wage Earners Get Richer, New York City's Low Wage Workers Risk Greater Poverty*, Center for NYC Affairs, Economic Update, Feb. 27, 2025.

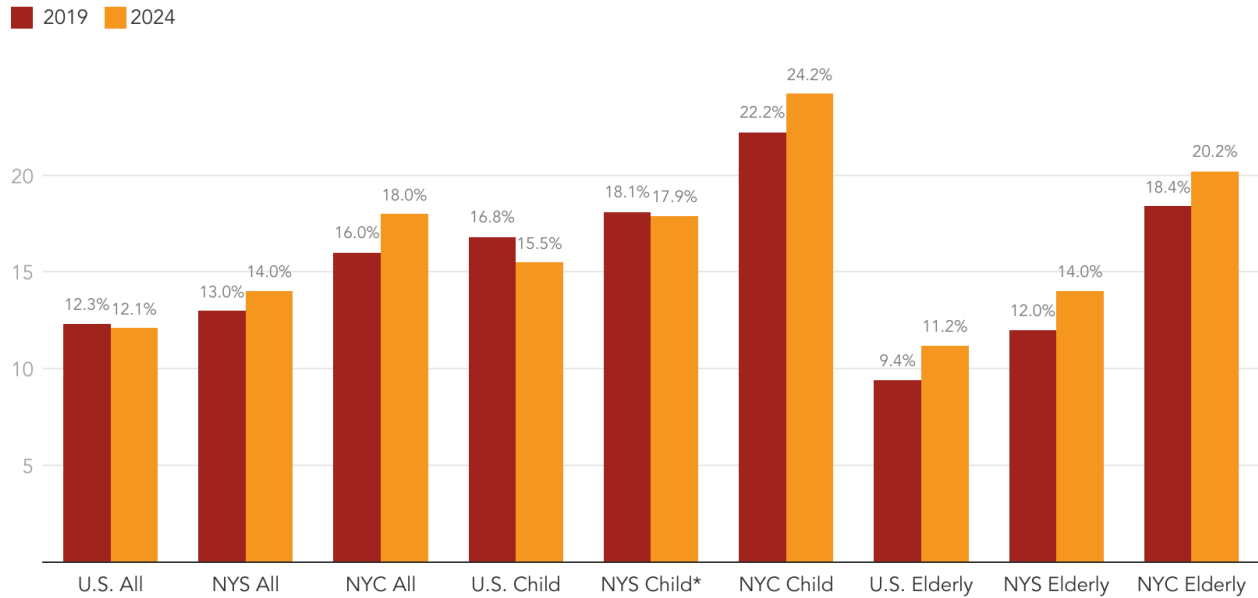
New York City (and State) policy makers should be very concerned about the disturbing poverty trend. Figure 3 shows that while overall poverty and child poverty declined nationally from 2019-2024, overall poverty rose one-two percentage points in New York State and New York City, and New York City child poverty rose by two percentage points.⁴ While all poverty declined to 12.1 percent in the United States, it rose from 16 to 18 percent in New York City between 2019 and 2024. Child poverty in New York City rose from 22.2 percent to 24.2 percent over this period although it fell from 16.8 percent to 15.5 percent for the U.S. It is also concerning that elder poverty has been on the rise in New York and nationally.

³ Mohamed Obaidy, *While the Top Three Percent of Wage Earners Get Richer, New York City's Low Wage Workers Risk Greater Poverty*, February 27, 2025 Economic Update, Center for New York City Affairs at The New School. Real hourly wages could rise by seven to eight percent 2019-24 for low- and middle-income workers while real median household incomes fell by five percent since New York City private sector average weekly hours worked fell by three percent and there was increased unemployment among Black and Latinx workers 2019-24.

⁴ The 2019 to 2024 change in NYS child poverty was not statistically significant according to the Census Bureau.

Figure 3

Poverty is generally higher in New York State and City than national averages, and from 2019-24, overall and child poverty generally rose in New York while it declined nationally



*The 2019-24 change in NYS child poverty was not significant. All other changes were statistically significant.

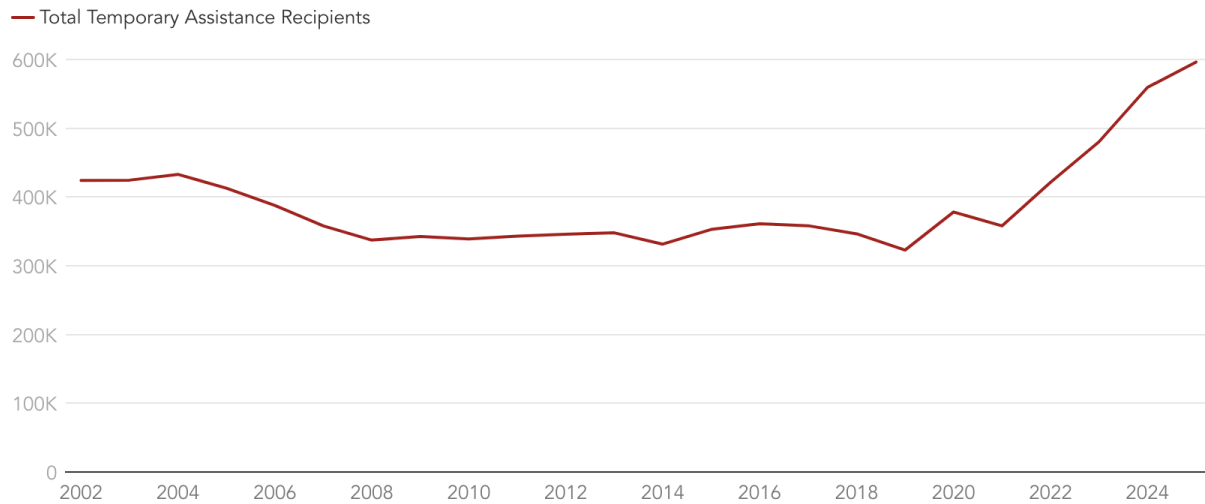
The number of New York City households experiencing severe hardship has risen dramatically over the past five years. For example, between July 2019 and July 2025, the number of New York City residents receiving cash public assistance rocketed upward by 85 percent, reaching the highest level this century.⁵ All of this rise has occurred since the onset of the pandemic, and the upward trend is ongoing. (See Figure 4.)

⁵ NYS Office of Temporary and Disability Assistance, Monthly Caseload Statistics.

Figure 4

The number of New York City cash assistance recipients surged by 85 percent from July 2019-July 2025, reaching the highest level since the early days of the 1996 federal welfare reform.

Number of NYC cash assistance recipients in July of each year



Source: NYS Office of Temporary and Disability Assistance.

Since 2020, income polarization has started rising again in New York City

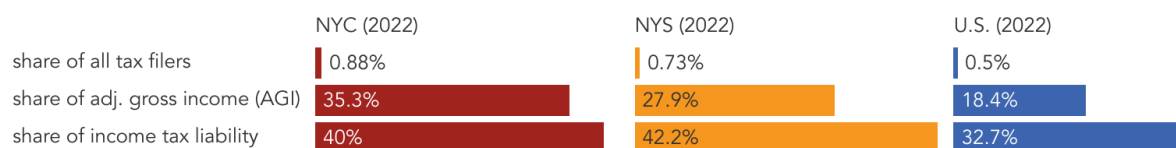
It is often cited that high earners pay a substantial share of New York State and City income taxes. Certainly, like all taxpayers, millionaires help fund important public services. But what is not nearly as often mentioned is that income is very highly concentrated in New York State and City, and the benefits of economic growth have been highly skewed toward the top.

Millionaires, who accounted for less than one percent (0.73 percent) of all resident tax filers, paid 42.2 percent of all State Personal income tax (PIT) paid by full-year residents in 2022, according to the tax return data from the New York State Department of Tax and Finance. (See Figure 5.) However, they received 27.9 percent of all personal income in 2022. In comparison, nationally, millionaires had 18.4 percent of all individual income in the U.S. in that year.

With higher tax rates for those with incomes above \$2.2 million, \$5 million, and \$10 million, New York State does have a degree of progressivity in its income tax system. On the other hand, New York City's personal income tax is only very mildly progressive, so there is a smaller differential between millionaires' income and New York City income tax shares. In 2022, millionaires were 0.88 percent of all tax filers and had 35.3 percent of adjusted gross income (nearly twice the national average millionaire share) and paid 40 percent of city income taxes.

Figure 5

Millionaire shares of resident tax filers, income, and income tax liability, 2022



Note: AGI shares for NYC and NYS are shares of NYS AGI. NYS data exclude non-resident and part-year filers.

Source:

NYC (2022): NYC Independent Budget Office.

NYS (2022): NYS Dept. of Tax and Finance.

U.S. (2022): IRS. Statistics of Income.

Whereas personal income taxes account for nearly two-thirds of all New York State tax revenues, the New York City PIT contributes only 19 percent of total city taxes. Highly regressive real property and sales taxes account for nearly three times the PIT share, making the city's overall tax structure much more regressive than New York State's. NYC's PIT rate structure is only very mildly progressive. For FY 2022, for example, the average marginal NYC PIT tax rate for a \$60,000 household was nearly the same as for a millionaire household (3.84 percent vs. 3.88 percent).⁶

New York City's recovery from the severe economic dislocations caused by the pandemic cannot be characterized as a situation where a rising tide lifts all boats. Many government data sources confirm that. State and city income tax data provide the most definitive accounting of income trends and distribution. The latest state tax data through 2023 show that New York State's millionaires (0.7 percent of tax filers) captured nearly one-third (32 percent) of the total income growth for full-year state residents between 2019 and 2023.⁷ New York City's millionaires wrangled an even greater share (for a slightly shorter period), receiving 47 percent of the total New York City income growth between 2019 and 2022.⁸

New York City's high-wage workers, a category that includes many but certainly not all millionaires, captured a disproportionate share of all wage growth between the four quarters

⁶ NYS DTF and NYC Independent Budget Office, *NYC Residents' Income and Tax Liability, Tax Year 2022*.

⁷ Author's analysis of NYS DTF PIT summary dataset 3.

⁸ Author's analysis based on New York City Independent Budget Office, *NYC Residents' Income and Tax Liability*, Personal Income Tax tables for tax years 2019 and 2022. Analysis for the top 1% since the income cutoff for the top 1% was \$804,000 in 2019 and \$904,000 in 2022. Note that with extraordinarily high capital gains in 2021, the top 1% income share was 44 percent in 2021, compared to 35 percent for 2022.

through the first quarter of 2020 and the four quarters through the first quarter of 2025. Workers in finance, information, professional services, and corporate headquarters account for 25 percent of all private sector New York City employment but they have garnered two-thirds of all wage growth over the past five years. The average annual wage for those working in these high-wage sectors is nearly four times that of all other private sector workers: \$270,000 vs. \$72,000.⁹

Census Bureau data confirm that New York City has the highest degree of income inequality among the nation's 10 largest cities, based on the Gini coefficient, which measures the degree of inequality in a distribution.¹⁰ In 2024, Census estimates that NYC had a Gini coefficient of 0.5563, considerably higher than the 0.4809 Gini for the U.S. overall.

Moreover, NYC was one of only two large cities to experience a statistically significant increase in inequality between 2019 and 2024. (San Antonio's inequality was on a par with the national average in 2024 but rose more based on the Gini coefficient measure than in NYC over this period.) Three of the largest cities—Dallas, Philadelphia, and Phoenix—had significant reductions in income inequality between 2019 and 2024 according to the Census Bureau data.¹¹

Other Census Bureau data confirm New York City's lopsided income inequality. For example, New York City has the greatest disparity in the ratio of aggregate incomes of the top quintile to the bottom quintile, with the richest 20 percent of households having total incomes 33 times as great as the combined incomes of the poorest 20 percent in 2024. (The national average ratio is 17 times.) Also, the combined incomes of NYC's richest five percent are 16 times that of the poorest 20 percent. (The corresponding national average ratio is about half that at a little under eight.)¹²

Not only does New York City have an extremely lopsided degree of income inequality, but as the income, poverty, and public assistance data cited above show, many New Yorkers are worse off now than in 2019.

New York City housing and childcare affordability challenges and out-migration

About 500,000 residents moved out of the city from 2020-2022. Since then, however, increases in international in-migration and the return of domestic out-migration to pre-pandemic levels

⁹ Author's analysis of NYS Dept. of Labor Quarterly Census of Employment and Wage data.

¹⁰ The Gini coefficient measure ranges from 0 indicating perfect equality to 1 reflecting perfect inequality. The higher the Gini coefficient, the more inequality there is in a given distribution.

¹¹ U.S. Bureau of the Census, 2024 American Community Survey.

¹² Ibid.

translated into net population gains in 2023 and 2024. As of the July 2024 Census Bureau estimate, NYC had recouped about one-third of the net population decline experienced during the first two years of the pandemic.¹³

While the richest one percent of households had disproportionate out-migration rates in 2020 and 2021, the Fiscal Policy Institute (FPI) found that in the next two years statewide migration trends reverted to the pre-Covid pattern, with out-migration by the richest one percent being about one-fourth the rate for the rest of the income distribution.¹⁴ Since 85 percent of out-migration from New York State is from New York City, these patterns also reflect the shift in out-migration from New York City.

Mounting affordability challenges, particularly related to housing and the cost of raising a family, has had a lot to do with high levels of out-migration among low- and middle-income households. FPI found that 36 percent of households leaving New York State moved in search of more affordable housing – more than twice the share before Covid – and that households with children under the age of six were twice as likely to move out of New York City as households without young children.¹⁵

Eighty-six of New York City households earning less than \$50,000 who did not benefit from means-tested housing were rent burdened (i.e., paying more than 30 percent of income toward rent), according to the 2023 NYC Housing and Vacancy Survey conducted by the Census Bureau. And among all renters with incomes less than \$70,000, the median rent-to-income ratio was 54 percent. (50 percent is the threshold for severe rent burden.)¹⁶

According to data from the State’s Office of Children and Family Services, the average cost of child care for infants and toddlers in New York City family-based settings jumped by 79 percent from 2019 to 2024, four times the overall inflation rate for the metro area. The average cost of center-based care was \$26,000, 43 percent greater than in 2019.¹⁷

¹³ New York City Department of City Planning, Population Division, *New York City’s Population Estimates and Trends*, May 2025.

¹⁴ Andrew Perry and Emily Eisner, *Who Is Leaving New York State? Part II: Social and Labor Characteristics*, Fiscal Policy Institute, June 2024; and Eisner and Perry, *New Census Data Show Population Growth as well as Continuing Affordability Challenges*, Fiscal Policy Institute, January 15, 2025.

¹⁵ Andrew Perry and Emily Eisner, *Who Is Leaving New York State? Part II*.

¹⁶ E. Gaumer, *The 2023 New York City Housing and Vacancy Survey: Selected Initial Findings*, New York City Department of Housing Preservation and Development, 2024.

¹⁷ New York City Comptroller, *Spotlight—Child Care Affordability and the Benefits of Universal Provision*, January 15, 2025.s

State and Local Policy Responses to Affordability Challenges

Among the state and local policies are two that feature prominently in candidate Mamdani's mayoral platform: raising the minimum wage and taxing millionaires to pay for public investments that can reduce living costs such as child care.

Policy makers should learn from New York City's economic successes and shortcomings in the half-dozen years before the pandemic when the minimum wage doubled, job growth soared, poverty declined, and workers and families in the bottom half of the income distribution prospered to a degree not seen since the 1960s. (The establishment of universal pre-kindergarten during that period also saved New York's working families an estimated \$1.4 billion annually in child care costs.¹⁸)

Nevertheless, New York's failure to index the minimum wage after it reached \$15 in 2019 was a costly mistake, for both equity and growth. This was especially evident when inflation rose in 2021 and 2022 at the fastest pace in 40 years. Once a minimum wage leader among large cities, New York City has fallen into the second tier. See Figure 6. The State's 2023 minimum wage law was, in short, too little and too late. We can do better.

Figure 6

Several large cities now have a higher minimum wage than New York City

Minimum wage levels for the last half of 2025



The most comprehensive research on recent state- and local-level minimum wage increases finds no adverse employment impacts and price effects that are much smaller than the wage increases. In fact, the latest generation of research usually finds positive employment impacts from higher minimum wages. Most businesses in low-wage sectors are able to adapt to moderately higher minimum wages by slightly raising prices (some of which are readily

¹⁸ Juan Gonzalez, *Reclaiming Gotham. Bill DeBlasio and the Movement to End America's Tale of Two Cities*, The New Press, 2017, p. 183.

absorbed by households with higher incomes) and by savings that employers experience through greater retention and reduced turnover and productivity improvements.¹⁹

Granted, given that the current minimum wage is \$16.50, an increase to \$30 in five years as proposed by Mamdani would be a greater increase than has been studied to date. However, New York City has among the highest living costs in the nation. In 2016, it was estimated by the Economic Policy Institute that raising the New York City minimum wage to \$15 by 2021 would directly affect 27.6 percent of all workers.²⁰ That is a sizable share of the workforce but not as large as the share that EPI estimates would be directly affected by an increase to \$30 by 2030 (36.7 percent).²¹ As we have seen, New York City's phased-in \$15 minimum wage by 2019 was accompanied by significantly positive economic effects.

In addition, State and local policymakers need to be mindful of the fact that New York has the greatest degree of income inequality among all states and large cities, and that millionaires have captured a disproportionate share of income growth in recent years while the economic fortunes of the non-rich have faltered. New York's millionaires may be thriving, but wage growth for those in the middle and at the bottom of the wage distribution has been but a fraction of the wage gains at the top, thus increasing the share of workers who would be affected by a significant minimum wage increase. Inflation-adjusted median household incomes fell more from 2019-24 in New York than in other states and large cities, and general poverty and elder poverty has risen in the state and city. New York City's child poverty rate has also soared to over 24 percent, far higher than nationally.

New York needs a tax policy that is not mainly about redistribution, but is about the public investments needed to make housing and other necessities affordable, including providing universal child care to build on New York City's success in establishing universal pre-kindergarten and phasing in universal 3-K.

¹⁹ See, e.g., Justin C. Wilshire, Carl McPherson, Michael Reich, and Denis Sosinsky, *Minimum Wage Effects and Monopsony Explanations*, December 2024, forthcoming *Journal of Labor Economics*.

²⁰ Michael Reich, Sylvia Allegretto, Ken Jacobs, and Claire Montialoux, *The Effects of a \$15 minimum wage increase in New York State*, University of California at Berkeley, Center on Wage and Employment Dynamics, March 2016.

²¹ For the most recent EPI estimate of affected workers, see Sebastian Martinez Hickey, <https://www.epi.org/blog/a-30-by-2030-minimum-wage-in-new-york-city-is-a-bold-proposal-the-first-step-is-giving-the-city-the-freedom-to-set-its-own-wage-floor/>.

When the economy grows faster in California and the Sunbelt, and New York's share of millionaires declines due to slower growth, what should guide New York's policy response?

In a recent report, the Citizens Budget Commission (CBC) raised an alarm about "New York's shrinking share of millionaires."²² The CBC cited a decline in New York State's share of the nation's millionaires, according to IRS data, from 12.7 percent in 2010 to 8.7 percent in 2022. (NYC's share dropped from 6.5 to 4.2 percent.) It also noted that the millionaire share grew in California, Texas, and Florida.²³ The CBC characterized these states as "competitors."

While the CBC acknowledged that taxes are but one of many factors affecting location decisions, the report emphasized that New York City's millionaires already pay the highest personal income tax rates in the nation and used the data about New York's declining millionaire share to raise concern that further increases in New York City or State personal income taxes could jeopardize the City and State tax base.

The CBC's takeaway message is "there is perhaps no better way to fund critically needed services than to retain and grow millionaires in New York," and that it would be inadvisable to raise their taxes since that would risk further decline in New York's share of millionaires.

It is useful to keep in mind that the IRS data the CBC cites pertain to millionaire taxpayers who are residents of the respective states. Among the four states considered, New York is unique in that its major metropolitan area is a tri-state labor market area. It attracts a substantial number of out-of-state commuters who work in New York City or elsewhere in the downstate region and pay New York State Personal Income Taxes (PIT) based on their economic activity taking place within New York State. In 2022, New York State had 96,820 full-year nonresident taxpayers with more than \$1 million in New York State Adjusted Gross Income (the starting point for determining New York PIT liability).²⁴ This number was 41 percent greater than the number of full-year New York resident millionaire taxpayers.

Adding New York's resident and nonresident millionaire taxpayers together would equal over 165,000, a level that would boost New York's share of the national total to 18.7 percent, greater than California's share and about the same as the combined share for Florida and Texas.²⁵ New

²² Ana Champeny, *The Hidden Cost of New York's Shrinking Millionaire Share*, Citizens Budget Commission, August 2025.

²³ Figure 9 below cites the 2010-22 change in millionaire shares for New York, California, Florida and Texas.

²⁴ The bulk of commuter earnings that are New York taxable are comprised of wages; rent, royalties, partnership and estate income; and capital gains related to New York real estate and business operations (as opposed to gains from investments held by nonresidents.) NYS Department of Tax and Finance (DTF), summary dataset 3, 2023.

²⁵ Approximately 80 percent of New York State's 2023 full-year nonresident taxpayers resided in NJ (56 percent) and other neighboring states (24 percent). A little over 11 percent resided in FL (6.7 percent),

York's full-year nonresident millionaire taxpayers pay a consequential share of total New York PIT collections. Nonresidents paid \$5.5 billion in NYS PIT in 2022, 8.6 percent of the total.²⁶

Such factoring in of nonresident New York millionaire taxpayers puts the CBC analysis in a somewhat different light. From 2010-2022, there was a faster increase in New York nonresident high-income taxpayers than New York residents with high incomes.²⁷ Although it is unlikely that including nonresident millionaires would have kept New York from losing millionaire share relative to California, Florida, and Texas, it is unrealistic to have expected New York to maintain its share in light of our much slower population, labor force, and economic growth over that period.

The title of the CBC report refers to a "hidden cost" in New York State's declining share of millionaires. The implication is that were it not for New York's high taxes, the state would have maintained its millionaire share over the 2010-22 period. Had that happened, New York State would have taken in \$10.7 billion more in personal income tax revenue in 2022 than it did, and New York City's coffers would have swelled by \$2.5 billion. Those amounts are what CBC means by "the hidden cost" of losing millionaire share.

However, the notion that a state should maintain its share of all the millionaires in the country over a 12-year period of substantial economic change is curious, to put it politely. New York's population, labor force, and economic growth considerably lagged national trends or trends in the three states highlighted in the CBC report during 2010-22. It is little wonder, then, that the millionaire shares rose in those three dynamically growing states while New York lost share.

Figure 7 shows a state scatter plot of the 2010-22 change in the number of millionaires by state on the horizontal axis and real GDP growth on the vertical axis. There is clearly a strong direct relationship between the two—the greater the growth in real GDP, the larger the increase in the number of millionaires.

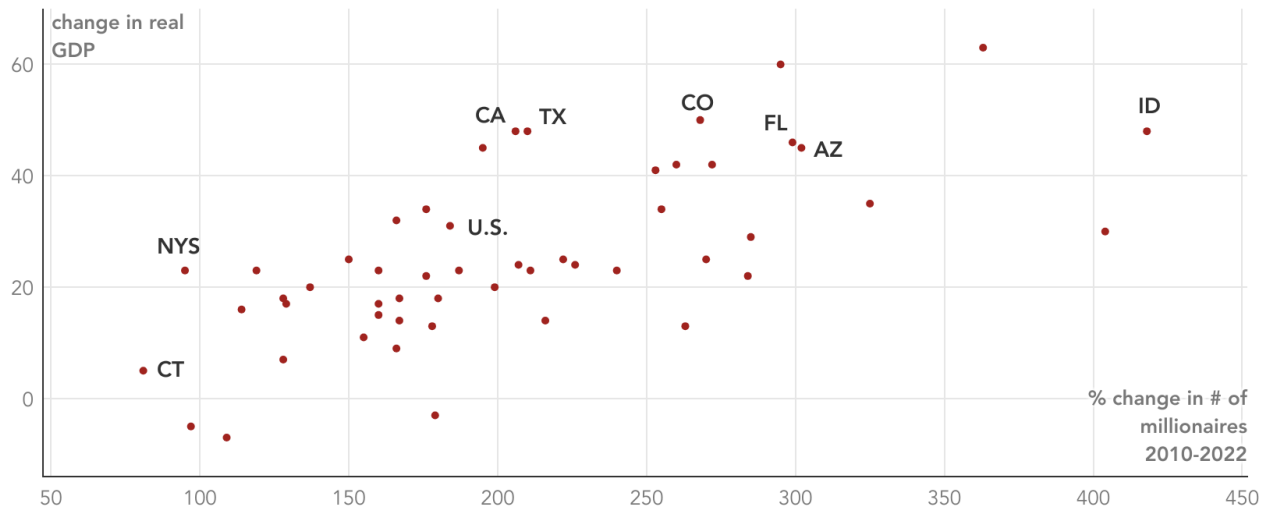
CA (3.4 percent) and Texas (1.3 percent). These data are for all income levels, not just millionaires. NYS DTF, 2023, summary dataset 1.

²⁶ NYS DTF, summary dataset 3, 2023. All full-year nonresidents paid \$10.2 billion in 2022, 16.1 percent of the total.

²⁷ While the State does not publish data on the number of millionaire taxpayers pre-2015, the number of taxpayers with incomes of \$500,000 or more grew faster over the 2010-22 period for nonresidents (+166 percent) than among full-year residents (+114 percent).

Figure 7

2010 - 2022 state growth in millionaires driven largely by GDP growth



The U.S. is roughly in the middle of the scatter plot, with a 184 percent growth in millionaires and a 31 percent real GDP growth. New York nearly doubled its number of millionaires (+ 95 percent) but lagged the nation, as did New York's 23 percent GDP growth. California, Florida, and Texas had real GDP growth in the 46-48 percent range, twice that of New York. Not surprisingly, considering their more rapid economic as well as population and labor force growth, the growth in millionaires in those states was two to three times that of New York.

Figure 8 shows the dramatic unevenness between New York State's 2010-22 population, labor force, and economic (real GDP) growth on the one hand, and the states of California, Florida, and Texas on the other. Clearly, population, labor force, and economic growth matter greatly in determining the change in a state's share of U.S. millionaires.

Figure 8

State shares of growth in millionaires compared to population, labor force and real GDP growth, 2010-2022

	# of millionaires	population	labor force	real GDP
All U.S.--2010-2022 growth	184.0%	7.9%	7.4%	31%
Shares of U.S. 2010-2022 growth				
U.S.	100.0%	100%	100%	100%
NYS	6.6%	1.2%	0.7%	6.4%
CA	16.7%	7.3%	8.7%	19.6%
FL	11.2%	14.6%	13.7%	7.4%
TX	9.7%	19.9%	22.8%	12%

CBC leans into a conclusion about millionaire tax migration without supporting data

In commenting on New York's eroding share of millionaires, the CBC brief asserts that "ample anecdotal evidence indicates that New York's nation-leading taxes matter." Since no elaboration is provided, one wonders what sort of "anecdotal evidence" CBC has in mind: comments from footloose billionaires lacking an understanding of how taxpayer-funded public investments have subsidized their own wealth?

CBC says that "taxes are among the factors that affect where residents and businesses choose to be" and "the evidence about the impact of taxes is not clear cut but also is not based on New York's current circumstances."

Research by Cornell University's Cristobal Young, the preeminent scholar on state (and local) taxes and millionaire migration decisions, however, suggests three main and differing findings:

- Interstate millionaire migration is less common than among those in the middle class and about half the rate for low-income households;
- Only around 15 percent of interstate millionaire migration is to a state with lower taxes, while the other 85 percent of such moves have no net tax impact for the movers; and
- Any incentive for tax flight is "counterbalanced by elite embeddedness—socioeconomic ties to places where the rich became successful."

Young has analyzed nearly four million million-dollar earners filing over 45 million tax returns over a dozen years. He also has studied the 2017 federal tax reform that favored lower-tax states and the effects of the first year of the pandemic that disrupted local embeddedness. Based on that research, he concludes that relative tax changes among states have "small

effects on millionaire migration,” that are more than offset by the higher revenue generated.²⁸ Young finds that people with high levels of education do tend to move when starting their careers, but as they become established and sometimes very successful, they become more economically and socially rooted or “embedded in place.”

(Looking specifically at the effects of higher effective New York State taxes on the top one percent following the 2017 federal limitation on state and local tax liability and the introduction of the new 2021 top State PIT tax brackets, Fiscal Policy Institute researchers similarly found that there was no significant increase in out-migration.)²⁹

Based on his research, Young offers an interesting, and I think very appropriate policy recommendation apropos New York City’s current economic challenges:

A tax on million-dollar income serves as an intergenerational transfer, since those who pay it are late-career working rich: socially and economically embedded in the place. ... Millionaire tax revenues could be used to invest in things that matter to young people starting out: education, infrastructure, public services, urban amenities, quality of life. And this would help to attract and retain a pipeline of future top-earners, creating a virtuous tax circle.

Granted, Young’s research does not examine some of what might be more durable consequences of pandemic economic changes, although exactly how those evolve is far from certain at this point. But it strikes me that those economic changes likely will not negate much of Young’s analysis.

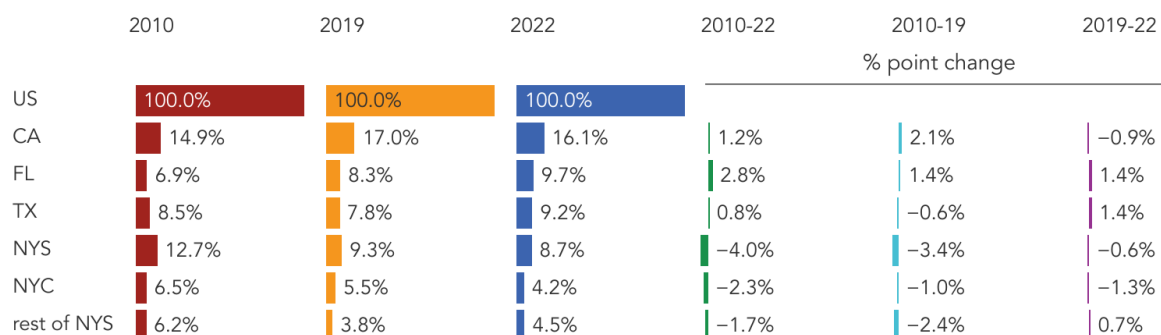
In fact, if you look a little more closely at the CBC Figure 1 data by inserting an intermediate year and considering the change for the rest of New York State outside of NYC, an interesting picture emerges regarding the pandemic years. (See Figure 9.)

²⁸ Cristobal Young and Ithai Lurie, *Taxing the Rich: How Incentives and Embeddedness Shape Millionaire Tax Flight*, Working Paper, Washington Center for Equitable Growth, July 27, 2022, forthcoming in the *American Journal of Sociology*; and Cristobal Young, “If you tax the rich, they won’t leave: U.S. data contradicts millionaires’ threats,” *The Guardian*, November 20, 2017.

²⁹ Emily Eisner and Andrew Perry, *Who is leaving New York State? Pt. I: Income Trends*, Fiscal Policy Institute, December 2023.

Figure 9

Selected state shares of U.S. millionaire Federal tax filers, 2010, 2019 and 2022



The bulk of New York State’s four percentage point 2010-22 millionaire decline took place from 2010-19, with very little occurring between 2019 and 2022. Regarding New York City, a little over half of what looks like a greater 1.3 percentage point 2019-22 millionaire share falloff than the erosion from 2010-19 involved relocations to the rest of New York State.

There’s obviously an intra-state tax shift involved that may be detrimental to New York City, but those taxpayers are still paying New York State PIT. Such a shift raises intrastate redistribution issues, but clearly dampens any adverse pandemic effect on State revenues.

Conclusion

The pandemic and its aftermath reversed the positive economic trajectory that existed in the half-dozen years prior to Covid-19’s onset. For average New Yorkers, incomes have fallen and poverty and hardships have risen. With income gains concentrated at the top, polarization has resumed growing. This reversal of economic fortunes, coupled with rising housing and child care costs, contribute to making affordability a lightning rod issue in the 2025 mayoral campaign.

Understandably, proposals to raise the minimum wage and increase income taxes on millionaires resonate with much of the electorate and are appropriate to address New York City’s economic challenges.

Raising taxes on the rich is always hotly contested in New York City. Part of what’s different about this moment, however, is that these taxpayers recently benefitted significantly from Federal fiscal legislation that was punitive for the economic well-being of many New Yorkers. It also comes in the context of a highly regressive overall local tax structure. Given this backdrop,

the analysis of the Citizens Budget Commission regarding the decline in New York City's share of national millionaires widely misses the policy mark.

New York's lagging population and labor force growth, not atypical for an older Northeastern or Great Lakes state, had a lot to do with its eroding millionaire share. It is also important to keep in mind that the tristate nature of the New York City metropolitan area means that nonresident millionaires are a much more important revenue factor for New York than for other states, and adding them in would make New York's share of millionaires larger than California's.

It is hard to believe that not raising taxes on high earners will by itself somehow improve New York's economic competitiveness (which is sort of where CBC leaves things).

Public investments to make housing and other necessities affordable and providing universal child care to build on New York City's success in establishing universal pre-kindergarten and phasing in universal 3-K – and paying for these new investments with slightly higher New York City income taxes on millionaires – is not only politically popular but also sound economic policy. It is just the sort of intergenerational transfer that Cristobal Young speaks of, investing in things that matter to young people starting out “to attract and retain a pipeline of future top-earners, creating a virtuous tax circle.”

Finally, there is also a clear element of economic self-interest at stake for New York's millionaires. With the federal government's ever-growing accumulation of wrong-headed decisions regarding economic, immigration, healthcare, public health, education, environmental, transportation, and almost every other area of public policy, forward-looking, growth-oriented, and judicious leadership from New York City and New York State are more important than ever before. New York City's millionaires already have high incomes, and have benefitted greatly from recent growth. The resources are clearly there to invest in a secure and brighter future for all New Yorkers. Federally forced budget austerity will drag our economy down, not move New York forward.