TAXES AND TAX POLICY
IN NEW YORK CITY

NEW YORK CITY BUSINESS TAX TASK FORCE
JUNE, 1980
December 24, 1980

Ms. Heather Ruth
Executive Director
Municipal Assistance Corp.
1 World Trade Center - Room 8901
New York, N.Y.

Dear Ms. Ruth:

I am pleased to send you a copy of the Business Tax Task Force Report, Taxes and Tax Policy in New York City, in which the Task Force made short and long term recommendations to be utilized by the City in formulating tax policy.

The shorter term recommendations which focus on tax reductions have been incorporated into the City's Financial Plan for FY1982. They include:

- Elimination of the General Occupancy Tax ($1.6 million).
- Elimination of the four percent City Sales Tax on energy used in the production process; applied as credit against the General Corporation Tax or the Unincorporated Business Income Tax. ($11 million).
- Exemption from the City's Commercial Rent Tax, for businesses with aggregate annual rents of $5,000 or less ($7.5 million).

The longer term Task Force recommendations focus on tax analysis, data management and tax stabilization. I would like to point out that these recommendations were based upon studies conducted during a period of improving economic conditions and a relatively secure flow of intergovernmental aid. The recent economic downturn and the difficulties we have encountered in securing additional intergovernmental aid have, however, increased the pressure on the City to generate locally raised revenues. While recent City policy has had to reflect these less favorable conditions, we have made every effort to minimize the impact of tax increases. The Task Force report was a most helpful guide to us in our efforts to formulate City Budget priorities.

Sincerely,

James R. Brigham, Jr.
Budget Director
TAXES AND TAX POLICY

IN

NEW YORK CITY

A Report to

PETER J. SOLOMON
Deputy Mayor for ECONOMIC POLICY AND DEVELOPMENT

JAMES R. BRIGHAM, JR.
Director, OFFICE OF MANAGEMENT AND BUDGET

from

NEW YORK CITY BUSINESS TAX TASK FORCE

June 1980
Issued October 1980
BUSINESS TAX TASK FORCE MEMBERS

Frederick M. Danziger
John Fava
Karen Gerard
Anthony M. Riccio, Jr.
Marilyn Rubin
Paul Skwiersky
Jack Toby
Mudge Rose Guthrie & Alexander
Office of Management and Budget
Chase Manhattan Bank
Office of Economic Development
Office of Economic Development
Department of Finance
Department of City Planning

The Task Force wishes to thank the authors of individual reports as well as the following organizations for their assistance: Chemical Bank; Touche Ross; Booz, Allen and Hamilton; Hutton and Solomon.

REPORT PREPARED BY:
Marilyn Rubin, Ph.D.
Office of Economic Development

RESEARCH ASSISTANCE:
Catherine Kweit,
Office of Management and Budget
Cary Pshena,
Office of Economic Development

CLERICAL ASSISTANCE:
Carol Rosales,
Office of Economic Development

The preparation of this report was financed in part by an Economic Development Planning Assistance Grant from the U.S. Department of Commerce, Economic Development Administration, pursuant to Section 302(a) of the Federal Public Works and Economic Development Act of 1965, as amended.
EXECUTIVE SUMMARY

Business location and expansion decisions reflect the interplay of cost and non-cost factors, including the cost and availability of labor, transportation, raw materials, and the level of taxes. While there is no consensus on the exact relationship between business location decisions and any one of these factors, (especially taxes), it is generally agreed that the perception of a high tax system has a decidedly negative influence on such decisions and on economic development programs in general.

During the past three years within an environment of a generally sound national economy and moderate growth in State and Federal aid, the City was able to decrease its business and personal tax burden through tax reductions and tax incentive programs. New York State actions have complemented City tax changes, thus improving the business climate for New York City businesses and residents. But much remains to be done and more information and analysis are needed to determine where the City is and where it should go. Recognizing this need, Deputy Mayor Peter J. Solomon and Budget Director James R. Brigham, Jr. organized a Business Tax Task Force in the Fall of 1978 to review the City's tax structure and to make immediate and longer term policy recommendations.

This report summarizes the findings and recommendations of the Task Force which are based primarily upon studies undertaken specifically for the task force by public and private sector tax experts. The report also includes a summary of comparative tax rates and bases which will provide a central point of reference for researchers and practitioners alike.

Notwithstanding that Task Force studies were conducted during a period of generally improving economic conditions, the findings and recommendations are still valid. Immediate circumstances and the economic downturn may, however, very well require postponing further tax reductions and may indeed require additional local tax effort. Nonetheless, it is hoped that the Task Force recommendations and findings will provide a useful guide to those formulating City tax policy.
Major Task Force Findings

The following summarizes the major findings of the studies conducted under the aegis of the Business Tax Task Force. It should be noted that these findings represent those of the individual authors and do not necessarily reflect official City policy.

Business Tax Burden

- Manufacturing Companies

Of 28 sites in 12 major industrial states, New York City ranks first in corporate income tax burden for a typical manufacturing firm producing instruments and second for a typical manufacturing firm producing non-electrical machinery. In total business tax burden New York City ranks fifth for the instruments manufacturer and seventh for the machinery firm.

- Commercial Banks

Compared to the cities of Buffalo, Stamford and Newark, which together with NYC make up the regional money market area, and compared to four other major national money market cities--Chicago, San Francisco, Houston and Miami--New York City ranks first in total state and local tax burden. A hypothetical bank located in New York City would have to pay from 16% to 137% more in state and local taxes than it would in any other of the seven cities.

- Utilities

State and local taxes paid by customers of Consolidated Edison are from 78% to 374% greater than those paid by customers of any other comparable utility in the Northeast.
Personal Tax Burden

• For a four person family earning $50,000 a year, total state and local tax burden is greater than it would be in any of 28 alternative jurisdictions in 12 major industrial states.

• For a four person family earning $25,000 a year, total state and local tax burden ranks fourth of the 28 jurisdictions.

• For a four person family earning $17,500 a year, total state and local tax burden ranks sixth of the 28 jurisdictions.

• For a four person family earning $10,000 a year, total state and local tax burden ranks fifth of 28 jurisdictions.

New York City's Real Estate Tax: The Initial Impact of Full Value Assessment

• Average assessment ratios (assessed value/market value) vary by more than a factor of three across NYC’s 15 major building types.

• Average assessment ratios vary widely across the five boroughs.

• Change to a property tax based on a uniform rate and assessment would cause major reallocations of tax liabilities among the different types of properties. Alternative courses of action must therefore be identified and evaluated.
Task Force Recommendations: Short Term

Short-term policy recommendations aimed at reducing specific taxes were formulated by the Business Tax Task Force using available data. These recommendations were made in the context of a generally improving local economy and a relatively secure flow of intergovernmental aid:

- Eliminate the General Occupancy Tax ($1.6 million).
- Eliminate the four percent City sales tax on energy used in the production process; apply as credit against corporate or unincorporated income tax. ($11.0 million).
- Exempt businesses with aggregate annual rents of $5,000 or less from the City's Commercial Rent Tax. ($7.5 million).

Task Force Recommendations: Long Term

The longer term recommendations focus on specific tax analyses and on data management. No attempt was made to suggest additional revenue sources but rather to provide information upon which City policy decisions could be based.

Action on Specific Taxes

1. There are specific taxes which are more burdensome here than in any other area within the region and throughout the U.S. especially the General Corporation Tax and the combined New York State-New York City Personal Income Tax throughout the upper income levels. The City should make every effort to maintain or, if possible, to reduce these tax rates. This recommendation is consistent with those made by the Temporary Commission on City Finances (1976) and the DeWind Commission (1979).
2. New York City should examine the basis and structure of the Financial Tax to determine whether the present tax accurately reflects economic activity within NYC. The City and the banking community, must analyze and resolve such issues as the method of income allocation within and without New York City and the method of bad debt write-offs.

3. To encourage the retention and expansion of "export" industries, New York State recently changed its allocation formula for the General Corporation Tax. Under the old formula, sales, payroll, and property were all given equal weight in determining the proportion of income allocated to New York State. The new formula gives double weight to the sales factor. A number of tax experts have suggested that the City's allocation formula be consistent with the State's. (The City's formula now gives equal weight to sales, payroll, and employment.) The Task Force recommends that a thorough analysis be made of the impact of such a change on General Corporate Tax revenues and on City employment before such a change is made.

4. As the basis for property tax reform, the City should reappraise each property individually to eliminate disparities in intraclass assessment ratios. Further, since no single policy option can address all the problems posed by property tax reform, the City should consider a combination of programs: (1) adopt a modified classification system to eliminate the most dramatic and potentially most harmful inter-class shifts; (2) adopt another program to lessen the problems created by the remaining intra-class disparities i.e. circuit breakers.

5. Energy costs, including taxes, remain a major deterrent to business investment. The City should make every effort to conform with the State on granting sales tax exemptions for energy used in the production process.
Data Management and Analysis

To foster tax compliance and monitoring and to facilitate the analysis of tax burden by industry, the Department of Finance should:

- Assign to every NYC business a single identification number to be used in filing all City taxes, including the real estate tax;

- Increase its efforts to get business taxpayers to provide all information requested on tax forms including the Standard Industrial Classification number (SIC);

- Computerize information from all taxes; currently, only selected tax records are stored on computer;

- Examine advantages of redesigning tax files into a disk-oriented system to allow additions of historical data and to facilitate data storage.

Other Recommendations

1. The City should investigate the advantages of membership in the Multistate Tax Commission (MTC) either in conjunction with New York State which is not a MTC member or, if possible, independent of the State.

MTC is an organization of states that have joined together by compact to address the issues that arise from corporations doing business in more than one state. The work of MTC is concentrated in two areas, uniformity of tax codes and joint audit programs. The main benefit of membership in the MTC is the audit program which aids states in identifying uncollected revenues and inconsistent income reporting by taxpayers.

In FY'77, the audit program returned $27 for each dollar the states put into it; in FY'78, it returned $24 for every dollar put into it. The joint audit program includes sales and use, franchise, gross receipt taxes, as well as corporate income tax levied by member states.
2. The City should examine the reasons for the difference in the revenue projections in the study conducted for the Business Tax Task Force and used by the Columbia Conservation of Human Resources to set its Municipal Priorities for 1980 and 1981 and those made by the New York City Office of Management and Budget.
TAXES AND TAX POLICY IN NEW YORK CITY

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INTRODUCTION

Over the past three years within an environment of a generally sound national economy, an improving local economy and moderate growth in State and Federal aid, the City has reduced its tax burden through tax reductions and tax incentive programs. Even after these reductions, however, City businesses and residents continue to pay a high tax bill. Compounding the complexity of the high tax level is the City's fiscal crisis, the resolution of which will require additional revenues to be raised from the City's own resources. Thus, policy decisions must be made which will balance the already complex and burdensome tax structure against the need to meet rising expenditure levels.

In the Fall of 1978, Deputy Mayor Peter Solomon and Budget Director James Brigham, recognizing that additional information and analysis were needed to formulate tax policy, set up a business tax task force to make immediate short-term policy recommendations and to initiate longer term research projects.

The following report summarizes the results of Tax Task Force activity. The overview discusses the relationship between taxes and economic development, summarizes Task Force policy recommendations and major findings.
Section A provides summaries of each of the Long-term Tax Studies. Section B details Selected Tax Rates and Bases. Section C reviews historical changes in the major New York City Tax Rates, Bases and Revenues and Section D lists major legislative tax actions by state tax 1979.

I. Taxes and Economic Development

Over the past decades, the relationship between local tax levels and rates, business location decisions and ultimately the economic viability of cities has been repeatedly examined by governmental agencies, citizens' committees, chambers of commerce, promotional groups and academicians. Some, especially the academicians, have generally downgraded the influence of taxes on economic development and have suggested that local taxes are such a minor component of business costs that they do not significantly influence location decisions. Others, especially governmental promotional groups, have pointed out that because business exists in a highly competitive environment an excessive local tax burden restricts economic growth in high tax jurisdictions such as New York City. Further, even those who argue that tax differentials themselves do not significantly influence business location decisions generally agree that the perception of a high tax system is frequently an important determinant of business location.
Another area of agreement among those who stress the importance of taxes in location decisions and those who downgrade this importance is the fact that New York City is so atypical that it really should be looked at separately and apart from other localities. Nowhere else in the U.S. is the system of taxation so varied and complex as it is in New York City. For example, New York is the only locality that imposes a tax on the rental value of commercial and industrial space (Commercial Rent Tax) and levies a separate and unique tax on its financial institutions.

New York City businessmen and women pay a larger tax bill than they would if they were located in most any other location in the country. To illustrate, the combined NYC/NYS corporate tax rate on manufacturing is the highest in the U.S.\(^1\), and the combined City-State tax rate on banks in New York City far exceeds that is any other jurisdiction both within the region and throughout the country.\(^2\) And, a life insurance company located in New York City could save considerable tax dollars if it were to relocate, for example, to Houston, Texas.\(^3\)
The combined effective state and local Personal Income tax rate in New York City in general exceeds that of all other U.S. cities and for higher income families ranks a solid first. The combined income tax is steeply progressive in contrast to the income taxes in other states and cities. Consequently, the recent inflationary spiral has shifted many families into higher tax brackets, thus widening the gap in personal income tax payments between New York and other jurisdictions especially for higher paid managers, professionals and proprietors -- those who make the decisions on business location.

Because it is a high tax jurisdiction, New York City is placed at a disadvantage in competing with other areas for new industries and jobs and for keeping those industries which are already located here. This is not to imply that taxes are the only consideration in the business location decision. But most survey results indicate that taxes are a critical element in the location decision. To illustrate, in a 1978 questionnaire administered to the 187 members of the Metro New York Chapter of the Young President's Organization (YPO) the relatively high tax burden in New York City was the main reason given for business relocation. Seventy-one percent of the respondents viewed the tax burden in New York City as excessive and seventy-six percent said that taxes will inhibit future growth in the City. Forty-seven
percent recommended lowering taxes, both business and personal, as the single most important action which could be taken to improve New York City's business climate.

In a 1979 survey conducted for the Conference of State Manufacturer's Associations (COMSA) state and local taxes emerged as a critical factor in the overall business climate and in the ultimate location of business facilities.6

Further evidence of the importance of taxes in the location of business activity can be found in a review of 1979 legislative activity throughout the U.S. The general theme that emerges is tax relief. In the backwash from California's Proposition 13 of 1978, tax cuts, large and small, were approved in at least a dozen states and tax incentives were a legislative priority in many other states. (See Appendix C for a summary of tax related legislative activity in 1979 throughout the U.S.)

Thus, while there may be a paucity of empirical econometric type evidence as to the precise relationship between taxes and economic development, there is sufficient
anecdotal and survey evidence to underline the growing concern among businessmen and women about their tax burden. And, nowhere is this concern more evident than in New York City.

This concern is also evident among public sector officials in setting economic development policies for the City. For example, reducing business taxes was a critical element in the City's Economic Recovery Program initiated in 1976. This was in contrast to previous years when businesses had seen taxes rise and then rise some more. For example, between 1971 and 1975, the City's General Corporation Tax rate increased from 6.7% to 10.05% of allocated net income. And, the Financial Corporation Tax increased from 6.75% in 1974 to 12.13% of allocated net income in 1975.
11. Recent New York City Tax Policy

Over the past three years within an environment of a generally sound national economy, an improving local economy and moderate growth in state and federal aid, the City has:

- Reduced the General Corporate income tax rate by more than 10%, from 10.05 to 9.5% in 1977 and to 9% in 1978. This represented a $135 million saving to NYC businesses in the period 1978-80.

- Is phasing in a reduction of the Commercial Rent Tax; the tax was reduced by 10% in 1977 and by an additional 5% in 1980 and another 5% in 1981. This represents a $70 million reduction for business, professionals, and commercial establishments since the reductions began.

- Is phasing out the stock transfer tax by 1981 through elimination of the surcharge in 1978, a 30% reduction in the tax itself in 1979 and again in 1980, and elimination of the final 40 percent in 1981. This action has saved the securities industry a total of $275 million.

- Eliminated the City sales tax on the purchase of equipment and machinery used in production by allowing an offsetting credit against the City general corporation tax, or unincorporated business tax, or the utility tax. This reduced costs to NYC business by a total of $35 million.

- Reduced the real property tax from 8.795% in FY' 1977/78 to 8.75% and capped the tax at this rate. This represented in aggregate saving of $52 million to residents and businesses since that year.

- Increased personal exemptions and standard deductions in the City's personal income tax (paralleling State changes) saving City taxpayers a total of $60 million in 1979 and 1980.
Estimated Savings to NYC Taxpayers
From Tax Reductions, 1977 - 1980
($ In Millions)

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<tbody>
<tr>
<td>Total</td>
<td>$46.1</td>
<td>$129.3</td>
<td>$172.8</td>
<td>$279.7</td>
</tr>
<tr>
<td>General Corporate Income Tax</td>
<td>-</td>
<td>31.5</td>
<td>46.4</td>
<td>57.5</td>
</tr>
<tr>
<td>Commercial Rent Tax</td>
<td>-</td>
<td>21.5</td>
<td>23.8</td>
<td>24.8</td>
</tr>
<tr>
<td>Stock Transfer Tax</td>
<td>46.1</td>
<td>51.7</td>
<td>55.9</td>
<td>121.3</td>
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<tr>
<td>Sales Tax</td>
<td>-</td>
<td>7.2</td>
<td>12.1</td>
<td>16.0</td>
</tr>
<tr>
<td>Property Tax</td>
<td>-</td>
<td>17.4</td>
<td>17.6</td>
<td>17.1</td>
</tr>
<tr>
<td>Personal Income Tax</td>
<td>-</td>
<td>-</td>
<td>17.0</td>
<td>43.0</td>
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Source: NYC Office of Management and Budget

In addition to these tax reductions, the City has developed specific tax benefit programs of property tax exemptions and abatements to spur economic development and revitalization as follows:

The Industrial and Commercial Incentives Board (ICIB) provides tax exemption from real property taxes on new construction, rehabilitation or expansion of industrial and/or commercial structures in New York City.

Tax benefits provided to ICIB projects are:

- for "specially needed" commercial reconstruction: 19 year exemption, starting at 95 percent of the increase in assessed valuation and declining by 5 percent per year.

- for commercial reconstruction not "specially needed": 10 year exemption starting at 50 percent of the increase in assessed valuation and declining 5 percent per year.
for "specially needed" commercial construction: 10 year exemption starting at 50 percent of the increase in assessed valuation and declining 5 percent per year.

for commercial construction not "specially needed": 5 year exemption starting at 50 percent of the exemption base and declining 10 percent per year.

for all industrial projects: 19 year exemption, starting at 95 percent of the increase in assessed valuation and declining by 5 percent per year.

a tax credit to assure stabilized rent to any company with 100 or more jobs that moves into New York City from out of state. The credit offsets rent increases caused by higher property taxes and lasts for the term of the initial lease or ten years, whichever is shorter.

From 1977 to 1980, ICIB granted $204 million in property exemptions and abatements.

The New York City Industrial Development Agency (IDA), issues tax exempt revenue bonds and provides tax abatements and exemptions for industrial projects. Projects receiving IDA financing are also eligible for a number of tax benefits. They are:

- full general property tax abatement on land valuation ($2.2 million limit per project)
- ten year stabilization of general property tax payments on improvements
- exemption from the mortgage tax and real property transfer tax
- exemption from sales taxes for the purchase of tangible personal property
- exemption from commercial rent tax

To date IDA has granted $45.5 million in general property tax exemptions.
Recent State actions complement City tax changes further improving the business climate for New York City firms which pay both City and State taxes. State actions include the phase-out of its Unincorporated Business Tax by 1981 and the phase-out of the State 4% sales tax imposed on the tools and services relating to tax exempt machinery.

III. Business Tax Task Force

Although recent New York City and State efforts have reduced the overall tax burden, City businesses and residents continue to pay a high tax bill. Compounding the complexity and the already high level of New York City taxes, is the City's fiscal crisis, the resolution of which will require additional revenues to be raised from the City's own resources. Thus, policy decisions must be made which will balance the already complex and burdensome tax structure against the need to meet rising expenditure levels.

In the early fall of 1978, Deputy Mayor Peter Solomon and Budget Director James Brigham, recognizing the need for additional information and analysis to formulate tax policy, set up a Business Tax Task Force to make immediate short-term policy recommendations and initiate longer term research projects.
IV. Short-Term Recommendation

The Tax Task Force using available data developed two "packages" of short-term policy recommendations aimed at reducing specific taxes. The recommendations were made in the context of a generally improving local economy and a relatively secure flow of intergovernmental aid. They were:

(1) $20 million package

- Eliminate the General Occupancy Tax ($1.6 million).
- Eliminate the four percent City sales tax on energy used in the production process; apply as credit against corporate or unincorporated income tax. ($11.0 million)
- Exempt businesses with aggregate annual rents of $5,000 or less from the City's Commercial Rent Tax. ($7.5 million)

(2) $40 million package; in addition to the above cuts:

- Reduce the Financial Corporation Tax by 10% ($14.0 million).
- Reduce the Unincorporated Business Tax by 5% ($4.0 million).

Because of competing demands on the City's limited resources, none of these recommendations was included in the FY '80 budget.
V. Long Term Tax Research Program

In November 1978 experts from New York City corporations, banks, insurance companies, accounting firms, universities and non-profit organizations met under the aegis of the Business Tax Task Force to discuss projects which could be conducted to assist in the development of a longer range tax policy program. The projects would address a number of questions such as:

- What industries pay how much and in what taxes?
- Are we taxing most heavily those industries which we should be trying to promote?
- Are New York City effective tax rates really higher than those in competing jurisdictions?
- What will be the effect on New York City's economy of full value taxation?

The optimum approach to answer these and related questions would be a fully specified econometric model. Unfortunately, the present state of the art does not permit us such a luxury. It is, in fact, virtually impossible to find even a non-quantitative focus around which to build an integrated framework to answer all of our tax related questions. We must thus resort to a more-or-less piecemeal approach which poses a series of discrete areas of inquiry and focuses research activity on these areas. The longer range tax research program as developed by the Task Force thus represents a very diverse group of
projects. They are:

- Comparative Business Tax Studies
  - Manufacturing
  - Banking
  - Insurance

- The Real Estate Tax - The Initial Impact of Full Value Assessment.

- The Responsiveness of NYC Employment and Revenue to Tax Changes and Levels.

- The Allocation of Taxable Income of Multi-state Firms.

- Energy Taxes Imposed on NYC Utility Companies.

- Small Business in NYC: An Analysis of Taxes and Tax Incentives.*

- Assessment of Inter-Industry Differences in Utilization of Selected New York City and New York State Tax Incentive Programs.*

The major research findings follow. (See Section A for detailed assumptions, methodology, findings, and tables).

It should be noted that these findings are generally based upon studies undertaken specifically for the Task Force. There are, however, two exceptions: (1) the comparative burden on manufacturing companies; and (2) the comparative personal tax burden, both of which were conducted by the Center for Governmental Research, Rochester, New York.

*/ These studies are currently being conducted by the New York City office of Management and Budget in conjunction with the New York City Department of Finance and the New School for Social Research.
After a thorough review of these two studies by a number of tax experts, the Task Force decided that rather than duplicating the Rochester efforts, it would incorporate the findings from these studies into its overall report.

It should also be noted that because the state of the art in tax analysis is still developing and all of the studies in this report have data and methodological limitations which are common to this type of analysis, the findings must be interpreted with extreme caution. Further, while the comparative analysis of tax burden on manufacturing firms, banks and utilities include all major state and local taxes, the insurance company study excludes state franchise taxes and, as such, does not reflect the total differential among the sites included in the study.
VI. Research Findings

The following summarizes the major findings of the studies conducted under the aegis of the Business Tax Task Force. It should be noted that these findings represent those of the individual authors and do not necessarily reflect official City policy.

Comparative Business Tax Burden

Manufacturing Companies

- In 1977, of 28 sites in 12 states, New York City ranked first in corporate income tax burden for an instrument manufacturer and second for a machinery firm.

- In total tax burden New York City ranked fifth for an instrument manufacturer and seventh for a machinery firm. Nearby Danbury, Hartford, Connecticut and Trenton, New Jersey all had greater overall tax burdens because of relatively lower property tax payments.

- Although New York City's overall tax burden was relatively high, it did decline from 1975. The change is attributable to the lowering of New York City and New York State income taxes. From 1975 to 1977, total corporate tax burden decreased 7.3% for the machinery firm and 6.6% for the instrument firm. Relative rankings, however, did not change from 1975 to 1977.

Commercial Banks

- Of the eight locations included in the analysis, New York City ranked first in total state and local tax burden.

- A bank located in New York City would receive from 4% to 14% less in net income after taxes than in any other location in the study.
Insurance Companies *

- Total tax savings for a New York City life insurance company moving to one of the six locations included in the analysis were:

<table>
<thead>
<tr>
<th>Location</th>
<th>Savings</th>
</tr>
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<tbody>
<tr>
<td>Los Angeles</td>
<td>64%</td>
</tr>
<tr>
<td>Atlanta</td>
<td>60%</td>
</tr>
<tr>
<td>Houston</td>
<td>58%</td>
</tr>
<tr>
<td>White Plains</td>
<td>51%</td>
</tr>
<tr>
<td>Chicago</td>
<td>24%</td>
</tr>
<tr>
<td>Hartford</td>
<td>17%</td>
</tr>
</tbody>
</table>

Utilities

- State and local taxes paid by customers of Con Edison are from 78% to 374% greater than those paid by customers of any other comparable utility in the Northeast.

- The most burdensome (as a percent of operating revenue) local taxes on Con Edison and Brooklyn Union Gas are the New York City property and franchise taxes.

- In the Northeast, only NYS and NYC impose sales taxes on gas service. New Jersey, Massachusetts, Pennsylvania and Connecticut exempt gas usage from the sales tax.

Comparative Personal Tax Burden

Tax burden on a four-person family at four income levels was compared for 28 sites in 12 states.

- Total Tax Burden
  
  **$50,000 Income Class**

  For families earning $50,000, NYC total tax burden ranked first.

  **$25,000 Income Class**

  For families earning $25,000, NYC total tax burden ranked fourth.

*/ This study omits the franchise tax on insurance companies in New York and other states.*
$17,500 Income Class
For families earning $17,500, NYC total tax burden ranked sixth.

$10,000 Income Class
For families earning $10,000, NYC total tax burden ranked fifth.

• Sales Tax Burden
The rankings reflect both local and state sales taxes.

$50,000 Income Class
For families earning $50,000, NYC sales tax burden ranked first.

$25,000 Income Class
For families earning $25,000, NYC sales tax burden ranked first.

$17,500 Income Class
For families earning $17,500, NYC sales tax burden ranked first.

$10,000 Income Class
For families earning $10,000, NYC sales tax burden ranked first.

• Personal Income Tax Burden
The rankings reflect local, state and federal income taxes.

$50,000 Income Class
For families earning $50,000, personal income tax burden in NYC ranked first.

$25,000 Income Class
For families earning $25,000, personal income tax burden in NYC ranked first.

$17,500 Income Class
For families earning $17,500, personal income tax burden in NYC ranked second.
$10,000 Income Class

For families earning $10,000, personal income tax burden in NYC ranked third.

- Property Tax Burden

$50,000 Income Class

For families earning $50,000, property tax burden in NYC ranked twentieth.

$25,000 Income Class

For families earning $25,000, property tax burden in NYC ranked twentieth.

$17,500 Income Class

For families earning $17,500, property tax burden in NYC ranked nineteenth.

$10,000 Income Class

For families earning $10,000, property tax burden in NYC ranked nineteenth.

New York City's Real Estate Tax: The Initial Impact of Full Value Assessment

- Average assessment ratios (assessed value/market value) vary by more than a factor of three across the 15 major building types.

- Average assessment ratios for each building type vary widely across the five boroughs.

- Change to a property tax based on a uniform rate and assessment would cause major reallocation of tax liabilities among the different types of properties.
- "Average taxes" on single family homes would more than double and those on office buildings would fall by 40%
- Shifts would be partially offset if capitalized values of the tax changes are reflected in the prices paid in the marketplace
- Elimination of inter-class shifts is possible through
  - Classification system which legalizes differences in "effective" tax rates
  - Phase-in of tax increases
  - Various tax exemptions

But, given the present state of New York City's assessment rolls:
- The City would be better off in the long run if, as the basis for any property tax reform, it reappraised each property individually so as to eliminate unwanted disparities in assessment ratios.
- No single policy option deals well with all the problems posed by property tax reform. Therefore, the City should consider a combination of programs -- e.g. adopt a small number of classes to eliminate the most dramatic and potentially most harmful inter-class shifts plus adopt one or more of the other programs to lessen the problems created by the remaining intra-class shifts.

The Responsiveness of New York City Revenue and Employment to Tax Changes and Levels
- "City Output" was estimated for 54 industries, to determine if and to what extent the output is sensitive to changes in selected City business tax rates. Using the model developed by Prof. Matthew Drennan, the relationship between output and tax rates was found to be statistically significant in the following industries. (In all other industries a statistically significant relationship was not found between tax rates and City output.)
<table>
<thead>
<tr>
<th>Industry and Tax</th>
<th>SIC No.</th>
<th>Employment</th>
<th>Percent of Total NYC Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Income Tax</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apparel</td>
<td>23</td>
<td>150,549</td>
<td>5.6%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>28</td>
<td>26,624</td>
<td>.98%</td>
</tr>
<tr>
<td>Water Transportation</td>
<td>44</td>
<td>22,691</td>
<td>.84%</td>
</tr>
<tr>
<td>Stone, Class, Clay</td>
<td>32</td>
<td>4,489</td>
<td>.16%</td>
</tr>
<tr>
<td>Fabricated Metals</td>
<td>34</td>
<td>23,073</td>
<td>.85%</td>
</tr>
<tr>
<td>Mach., except Electric</td>
<td>35</td>
<td>16,001</td>
<td>.59%</td>
</tr>
<tr>
<td>Electrical Machinery</td>
<td>36</td>
<td>31,039</td>
<td>1.15%</td>
</tr>
<tr>
<td>Transp. equip. &amp; Supplies</td>
<td>19, 37</td>
<td>6,376</td>
<td>.23%</td>
</tr>
<tr>
<td>Railroad Transportation</td>
<td>40</td>
<td>6,400</td>
<td>.23%</td>
</tr>
<tr>
<td>Trucking</td>
<td>42</td>
<td>27,983</td>
<td>1.04%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>315,225</td>
<td>11.67%</td>
</tr>
<tr>
<td>Financial Corporation Tax</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td>60</td>
<td>142,055</td>
<td>5.28%</td>
</tr>
<tr>
<td>Commercial Rent Tax</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
<td>65,66</td>
<td>81,074</td>
<td>3.01%</td>
</tr>
<tr>
<td>Sales Tax</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auto Repairs</td>
<td>75</td>
<td>18,500</td>
<td>.68%</td>
</tr>
<tr>
<td>Miscellaneous Repairs</td>
<td></td>
<td>10,542</td>
<td>.39%</td>
</tr>
</tbody>
</table>
Estimated Employment, Output, and Revenue effects of tax rate changes:

2 cases

(1) What happens to employment, output and revenue when there is a two percentage point change in the General Corporate Tax rate.

<table>
<thead>
<tr>
<th>Hypothetical Change in Genl. Corp. Tax Rate</th>
<th>Est. Change in Total City Output (Millions 1972 $)</th>
<th>Est. Change in City Employment</th>
<th>Net Revenue Effect (Millions 1972 $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- 2.0 pts.</td>
<td>+ $269.5</td>
<td>+ 20,078 + 19,706</td>
<td>- $61.3 - $67.9</td>
</tr>
<tr>
<td>+ 2.0 pts.</td>
<td>- 269.5</td>
<td>- 20,078 - 19,706</td>
<td>+ 61.3 + 67.9</td>
</tr>
</tbody>
</table>

Explanation: If the General Corporate Tax Rate were reduced from 9 percent to 7 percent in 1980, the net effect would be a $269.5 million increase in total City output (in 1972 constant dollars) an increase of 20,078 jobs and a decrease of $61.3 million in net revenue.

If the General Corporate Tax Rate were increased from 9 percent to 11 percent in 1980 the net effect would be a decline of $269.5 million in total City output, a decrease of 20,078 jobs and an increase of $61.3 million in net revenue.

(2) What happens to employment, output and revenue when there is a 1 percentage point change in the Financial Corporation Tax rate. (It should be noted that this simulation is presented by the author of the study "with some misgivings.")

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- 1.0 pt.</td>
<td>+ $54.4</td>
<td>+ 3,800</td>
<td>- $8.5</td>
</tr>
<tr>
<td>+ 1.0 pt.</td>
<td>- 54.5</td>
<td>- 3,800</td>
<td>+ 8.5</td>
</tr>
</tbody>
</table>
Examination: If the Financial Corporate Tax Rate were reduced from 13.8 percent to 12.8 percent in 1980, the net effect would be an increase of $54.4 million in banking output, an increase of 3,800 jobs in banking employment and a decrease of $8.5 million in net revenue.

If the Financial Corporate Tax Rate were increased from 13.8 percent to 14.8 percent in 1980, the net effect would be a decline of $54.5 million in banking output adjusted for inflation, a decline of 3,800 jobs in banking employment and an increase of $8.5 million in net revenue.

VII. Long-Term Recommendations

The longer term recommendations focus on specific tax analyses and on data management. No attempt was made to suggest additional revenue sources but rather to provide information upon which City policy decisions could be based.

Action on Specific Taxes

1. There are specific taxes which are more burdensome here than in any other area within the region and throughout the U.S. especially the General Corporation Tax and the combined New York State-New York City Personal Income Tax throughout the upper income levels. The City should make every effort to maintain or, if possible, to reduce these tax rates. This recommendation is consistent with those made by the Temporary Commission on City Finances (1976) and the DeWind Commission (1979).

2. New York City should examine the basis and structure of the Financial Tax to determine whether the present tax accurately reflects economic activity with NYC. The City and the banking community, must analyze and resolve such issues as the method of income allocation within and without New York City and the method of bad debt write-offs.
3. To encourage the retention and expansion of "export" industries, New York State recently changed its allocation formula for the General Corporation Tax. Under the old formula, sales, payroll, and property were all given equal weight in determining the proportion of income allocated to New York State. The new formula gives double weight to the sales factor. A number of tax experts have suggested that the City's allocation formula be consistent with the State's. (The City's formula now gives equal weight to sales, payroll, and employment. The Task Force recommends that a thorough analysis be made of the impact of such a change on General Corporate Tax revenues and employment before such a change is made.

4. As the basis for property tax reform, the City should reappraise each property individually to eliminate disparities in interclass assessment ratios. Further, since no single policy option can address all the problems posed by property tax reform, the City should consider a combination of programs: (1) adopt a modified classification system to eliminate the most dramatic and potentially most harmful inter-class shifts; (2) adopt another program to lessen the problems created by the remaining intra-class disparities i.e. circuit breakers.

5. Energy costs, including taxes, remain a major deterrent to business investment. The City should make every effort to conform with the State on granting sales tax exemptions for energy used in the production process.
Footnotes:

1/ See Section A, pages A1 - A10
2/ Ibid pages A11 - A18
3/ Ibid pages A19 - A21
4/ Ibid pages A32 - A45
5/ Young President's Organization, New York City, 1979
6/ Industrial Development, Vol. 6, No. 1
SECTION A
RESEARCH STUDIES: A SUMMARY
SECTION A

RESEARCH STUDIES: A SUMMARY

STUDY

A Comparative Analysis of State-Local Tax Burden: Manufacturing*
Center for Governmental Research, Rochester, NY
Elizabeth S. Hansen
Susan M. Touhsaent

A Comparative Analysis of State-Local Tax Burden: Commercial Banks
The New York Clearinghouse Bank Association

A Comparative Analysis of State-Local Tax Burden: Life Insurance Companies

Energy Tax Study
NYC Office of Economic Development
Cary Pshena

A Comparative Analysis of Tax Burden on Families at Four Income Levels*
Center for Governmental Research, Rochester, NY
Elizabeth S. Hansen
Susan M. Touhsaent

The Allocation of Taxable Income of Multi-State Firms
Citibank
Roger Vaughan

An Analysis of New York City’s Property Tax
Federal Reserve Bank of New York (Regional Economic Research Unit)
Mark A. Willis

The New York Tax Structure and Economy: An Econometric Analysis
New York University Graduate School of Public Administration
Matt Drennan

* This study was not conducted for the Business Tax Task Force, but was reviewed by the Task Force for its findings.
INTRODUCTION

This study, which updates a similar study released in 1976, is a comparative analysis of state and local tax burden on two manufacturing corporations. The purpose of the study is to compare the tax climate in 28 locations in 12 states, specifically focusing on NYC and NYS tax position relative to the other areas surveyed. The NYC site chosen for the comparison is located in Queens. The taxes included in the study are: property tax, sales tax, insurance tax, corporate franchise or income tax.

FINDINGS

• Total Tax Burden

New York City ranked fifth in total corporate tax burden for the instruments and related products firm and seventh for the machinery firm. However, NYC would have ranked first in total tax burden for both firms if the corporate property tax burden was excluded. (See Tables 1 & 2).

• Sales Tax Burden

New York City ranked third with respect to sales tax burden for both industries since it taxes all purchases of machinery and equipment. The ranking reflects both the state and local sales tax. However, on July 1, 1977 a sales and compensating use tax credit was instituted which provides a credit against NYC corporate income tax liability in the amount of the sales taxes paid on production machinery and equipment. (See Table 4).

• Corporate Income Tax Burden

New York City ranked first in corporate income tax burden for the instruments firm and second for the machinery firm. The rankings also reflect the reduction in the corporate income tax rate from 10.05% to 9.5% and the sales and compensating use tax credit referred to above. (See Table 6)

*The data utilized to construct this study is for 1977. An update incorporating recent information will be available later this year.
• Property Tax Burden

New York City ranked sixteenth in corporate property tax burden for both industries. It should be noted that property tax values vary by site throughout NYC. Consequently property values in Queens may or may not be typical of the City as a whole. It should also be noted that property taxation in other places may include taxes on personal as well as real property. (See Table 3.)

• Unemployment Insurance Tax Burden

Unemployment insurance taxes are considered state taxes. New York State ranked sixth in unemployment insurance taxes for the machinery firm and fifth with respect to the instruments firm. (See Table 5.)

SAMPLE

Sample sites were chosen on the basis of urban versus suburban/rural location and differentials in labor and electricity costs. The two sample corporations are representative of manufacturing classifications with a large concentration of manufacturing employment in NYS and meeting predetermined profitability and capital investment criteria.

The financial characteristics of the two manufacturing firms selected for the analysis were constructed from quarterly financial data published by the Federal Trade Commission (FTC).

The size of each model corporation was assumed to be representative of the larger firms which heavily weight the FTC industry average. Data from IRS's publication "Statistics on Income" were utilized to construct the hypothetical firms. The type of firm for each industry was assumed to have net sales equal to the average receipts of those firms which account for 90% of the industry's business receipts.

The following illustrates the major financial characteristics for each hypothetical firm:

<table>
<thead>
<tr>
<th>Machinery Except Electrical</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Assets</td>
</tr>
<tr>
<td>• Sales</td>
</tr>
<tr>
<td>• Income before Federal State and Local Income Taxes</td>
</tr>
<tr>
<td>• Employees</td>
</tr>
</tbody>
</table>

A-2
Instruments and Related Products

- Assets $23,110,142
- Sales $25,568,408
- Income before Federal, State and Local Income Tax $2,889,230
- Employees 641

Three Caveats

1. The comparative analysis for corporate tax burdens relates to existing manufacturers. It should not be interpreted to reflect the relative desirability of the individual sites for new or relocating companies.

2. The study addresses the issue of tax burden differentials but does not provide answers regarding possible differentials in the quality of services associated with variations in taxes.

3. The study does not address itself to the issue of tax incidence or tax incentives.

ASSUMPTIONS

Property Taxes: For the purposes of this analysis, property subject to taxation is divided into four groups.

1. Real Property: land, buildings and structures
2. Inventories: raw materials, work in process and finished goods.
3. Other Depreciable Assets: machinery and equipment.
4. Intangible Personal Property: bank deposits receivables and income from these assets.

The taxation of real and tangible personal property is in most instances administered by the local assessing unit (county, town, city, village school district) while taxation of intangible personal property is generally administered by the state.

It was assumed that the average age of corporate land, buildings and structure is 15 years. Machinery and equipment was assumed to have an average age of five years. Taxable values were assumed to be either net book value or were derived through the application of depreciation and "percent good" tables.
Corporate Franchise Tax: No special assumptions had to be made in determining of state taxes levied against corporate capital. All calculations were based on the balance sheet data for the two manufacturing firm prototypes. Where state laws provided for alternative tax bases, appropriate calculations were performed to determine which of the tax bases produced the highest yield.

Corporate Income or Gross Receipts Tax: For the purposes of determining the portion of a corporation's income or gross receipts subject to taxation in states permitting such allocation the following assumptions were utilized.

1. Almost 100% of corporation tangible property is located within the taxing state.
2. Almost 100% of the corporate payroll is allocable to the taxing state.
3. Ten percent of corporation's sales are shipped to destinations within the taxing state; 90% to areas elsewhere in the nation. Where local corporate income taxes are levied, it has been assumed that 4% of the corporation's sales are shipped to destinations within such locality.

Sales Tax: To obtain the various tax bases subject to sales taxation in different states and localities, it was assumed that each corporation replaced 10% of its equipment and machinery each year. This figure was derived from data published in the 1972 Census of Manufacturers. 85% of such purchases were assumed to be used directly for production purposes; 15% for non-production uses.

Purchases of electricity and fuels were estimated from industry averages also provided in the 1972 Census of Manufacturers. Again, 85% of such purchases were assumed to be used directly for production, 15% for non-production purposes.

Unemployment Insurance Taxes: To determine unemployment insurance obligations, it has been assumed that all employees of each firm earn at least the amount of wages subject to taxation. Further all relevant offices in the sample states were contacted to provide information reflecting the wages subject to this tax.
# Table 1

**State and Local Tax Burden by Site**

**Machinery, Except Electrical Industry, 1977**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Site (State)</th>
<th>Total Taxes</th>
<th>ETR*</th>
<th>Property 1/</th>
<th>Sales</th>
<th>Unemployment Insurance</th>
<th>Franchise</th>
<th>Income/Gross Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>San Francisco (CA)</td>
<td>634,473</td>
<td>34.0</td>
<td>303,026</td>
<td>36,310</td>
<td>114,170</td>
<td>-0-</td>
<td>180,967</td>
</tr>
<tr>
<td>2</td>
<td>Long Beach (CA)</td>
<td>605,042</td>
<td>32.4</td>
<td>335,389</td>
<td>33,517</td>
<td>114,170</td>
<td>-0-</td>
<td>121,966</td>
</tr>
<tr>
<td>3</td>
<td>Hartford (CT)</td>
<td>519,317</td>
<td>27.8</td>
<td>312,341</td>
<td>17,736</td>
<td>95,064</td>
<td>-0-</td>
<td>94,176</td>
</tr>
<tr>
<td>4</td>
<td>Kansas City (KS)</td>
<td>510,519</td>
<td>27.4</td>
<td>347,203</td>
<td>20,392</td>
<td>45,016</td>
<td>2,500</td>
<td>95,408</td>
</tr>
<tr>
<td>5</td>
<td>Trenton (NJ)</td>
<td>504,001</td>
<td>27.0</td>
<td>306,620</td>
<td>27,931</td>
<td>81,084</td>
<td>12,971</td>
<td>75,395</td>
</tr>
<tr>
<td>6</td>
<td>Danbury (CT)</td>
<td>467,894</td>
<td>25.1</td>
<td>257,323</td>
<td>17,736</td>
<td>95,064</td>
<td>-0-</td>
<td>97,771</td>
</tr>
<tr>
<td>7</td>
<td>Terre Haute (IN)</td>
<td>423,880</td>
<td>22.7</td>
<td>256,397</td>
<td>4,312</td>
<td>58,753</td>
<td>-0-</td>
<td>104,418</td>
</tr>
<tr>
<td>8</td>
<td>Solon (OH)</td>
<td>409,542</td>
<td>21.9</td>
<td>266,369</td>
<td>4,609</td>
<td>47,560</td>
<td>-0-</td>
<td>91,004</td>
</tr>
<tr>
<td>10</td>
<td>New York City (Queens)</td>
<td>$452,465</td>
<td>24.2%</td>
<td>$183,372</td>
<td>$33,030</td>
<td>$57,933</td>
<td>$-0-</td>
<td>$178,100</td>
</tr>
<tr>
<td>11</td>
<td>Washington Township (IN)</td>
<td>389,845</td>
<td>20.9</td>
<td>222,362</td>
<td>4,312</td>
<td>58,753</td>
<td>-0-</td>
<td>104,419</td>
</tr>
<tr>
<td>12</td>
<td>O'Hara Township (PA)</td>
<td>389,754</td>
<td>20.9</td>
<td>159,077</td>
<td>6,468</td>
<td>63,218</td>
<td>9,605</td>
<td>151,386</td>
</tr>
<tr>
<td>13</td>
<td>Waco Township (KS)</td>
<td>385,884</td>
<td>20.7</td>
<td>216,653</td>
<td>17,479</td>
<td>45,016</td>
<td>2,500</td>
<td>104,236</td>
</tr>
<tr>
<td>14</td>
<td>Rochester (NY)</td>
<td>384,279</td>
<td>20.6</td>
<td>229,720</td>
<td>7,546</td>
<td>57,933</td>
<td>-0-</td>
<td>89,080</td>
</tr>
<tr>
<td>15</td>
<td>Philadelphia (PA)</td>
<td>379,397</td>
<td>20.3</td>
<td>142,791</td>
<td>6,468</td>
<td>63,218</td>
<td>9,605</td>
<td>157,255</td>
</tr>
<tr>
<td>16</td>
<td>Parsippany-Troy Hills (NJ)</td>
<td>362,583</td>
<td>19.4</td>
<td>157,376</td>
<td>27,931</td>
<td>81,084</td>
<td>12,971</td>
<td>83,221</td>
</tr>
<tr>
<td>17</td>
<td>Oyster Bay (NY)</td>
<td>355,131</td>
<td>29.0</td>
<td>197,076</td>
<td>8,355</td>
<td>57,933</td>
<td>-0-</td>
<td>91,137</td>
</tr>
<tr>
<td>18</td>
<td>Houston (TX)</td>
<td>343,988</td>
<td>18.4</td>
<td>281,039</td>
<td>29,132</td>
<td>17,615</td>
<td>16,202</td>
<td>-0-</td>
</tr>
<tr>
<td>19</td>
<td>Port Smith (AR)</td>
<td>312,863</td>
<td>16.8</td>
<td>135,015</td>
<td>7,316</td>
<td>71,764</td>
<td>2,339</td>
<td>96,429</td>
</tr>
<tr>
<td>20</td>
<td>Arlington (TX)</td>
<td>310,668</td>
<td>16.6</td>
<td>248,732</td>
<td>29,132</td>
<td>17,615</td>
<td>15,199</td>
<td>-0-</td>
</tr>
<tr>
<td>22</td>
<td>Asheville (NC)</td>
<td>304,186</td>
<td>16.3</td>
<td>174,829</td>
<td>8,100</td>
<td>39,144</td>
<td>13,645</td>
<td>68,468</td>
</tr>
<tr>
<td>23</td>
<td>Greece (NY)</td>
<td>295,617</td>
<td>15.9</td>
<td>135,015</td>
<td>7,546</td>
<td>57,933</td>
<td>-0-</td>
<td>95,323</td>
</tr>
<tr>
<td>24</td>
<td>Nashville (TN)</td>
<td>295,285</td>
<td>15.8</td>
<td>163,239</td>
<td>13,713</td>
<td>35,817</td>
<td>13,721</td>
<td>68,795</td>
</tr>
<tr>
<td>25</td>
<td>Perinton (NY)</td>
<td>289,648</td>
<td>15.5</td>
<td>128,411</td>
<td>7,546</td>
<td>57,933</td>
<td>-0-</td>
<td>95,758</td>
</tr>
<tr>
<td>26</td>
<td>Clay (NY)</td>
<td>249,192</td>
<td>13.4</td>
<td>85,099</td>
<td>7,546</td>
<td>57,933</td>
<td>-0-</td>
<td>98,614</td>
</tr>
<tr>
<td>27</td>
<td>Chattanooga (TN)</td>
<td>242,686</td>
<td>13.0</td>
<td>108,127</td>
<td>13,923</td>
<td>35,817</td>
<td>13,721</td>
<td>71,098</td>
</tr>
<tr>
<td>28</td>
<td>Randolph (NC)</td>
<td>200,884</td>
<td>10.8</td>
<td>66,998</td>
<td>8,100</td>
<td>39,144</td>
<td>13,645</td>
<td>72,997</td>
</tr>
</tbody>
</table>

*Effective Tax Rate* - taxes paid expressed as a percentage of income before taxes.

1/ Includes personal as well as real property taxes, where applicable.

A-5
## TABLE 2

### STATE AND LOCAL TAX BURDEN BY SITE

INSTRUMENTS AND RELATED PRODUCTS INDUSTRY, 1977

<table>
<thead>
<tr>
<th>Rank</th>
<th>Site (State)</th>
<th>Total Taxes</th>
<th>ETR*</th>
<th>Property 1/</th>
<th>Sales 1/</th>
<th>Unemployment Insurance</th>
<th>Franchise</th>
<th>Income/Gross Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>New York City (NY)</td>
<td>$781,579</td>
<td>23.8%</td>
<td>$321,512</td>
<td>$45,547</td>
<td>$63,458</td>
<td>$0</td>
<td>$330,762</td>
</tr>
<tr>
<td>1</td>
<td>San Francisco (CA)</td>
<td>972,588</td>
<td>29.3%</td>
<td>458,519</td>
<td>52,726</td>
<td>157,045</td>
<td>-0-</td>
<td>304,298</td>
</tr>
<tr>
<td>2</td>
<td>Long Beach (CA)</td>
<td>942,531</td>
<td>28.4%</td>
<td>507,237</td>
<td>48,670</td>
<td>157,045</td>
<td>-0-</td>
<td>229,579</td>
</tr>
<tr>
<td>3</td>
<td>Hartford (CT)</td>
<td>847,170</td>
<td>25.5%</td>
<td>514,178</td>
<td>25,755</td>
<td>132,610</td>
<td>-0-</td>
<td>172,627</td>
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<tr>
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<td>48,190</td>
<td>19,517</td>
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*Effective Tax Rate - taxes paid expressed as a percentage of income before taxes.
1/Includes personal as well as real property, where applicable.

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<th>Instruments and Related Products Amount</th>
<th>Related Products Rank</th>
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**Types of Property Taxed**
- R - Real Property
- I - Inventories
- D - Other Depreciable Assets
- IP - Intangible Personal Property
### Table 4

**Sales Tax Burden by States and Industry, 1977**

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<th>Machinery, Except Electrical Amount</th>
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<th>Instruments and Related Products Amount</th>
<th>Rank</th>
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*Note: Data for Texas and California were not available for 1977.*

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<td>Machinery, Except Electrical</td>
<td>Instruments and Related Products</td>
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<tr>
<td>---------------------</td>
<td>------------------------------</td>
<td>---------------------------------</td>
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<td></td>
<td>Amount</td>
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<td><strong>New York State</strong></td>
<td></td>
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<td>$330,762</td>
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<td>Terre Haute</td>
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<td>191,465</td>
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<td>Trenton</td>
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<td>Asheville</td>
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<td>124,613</td>
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<td>Randolph</td>
<td>72,997</td>
<td>23</td>
<td>131,610</td>
<td>23</td>
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<td><strong>Ohio</strong></td>
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<td>Solon*</td>
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<td>168,759</td>
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<td>O'Hara Township</td>
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<td>Philadelphia*</td>
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<td>280,494</td>
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<td><strong>Tennessee</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Nashville</td>
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<td>25</td>
<td>124,576</td>
<td>26</td>
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<td>Chattanooga</td>
<td>71,098</td>
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<td>128,251</td>
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<tr>
<td><strong>Texas</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Houston</td>
<td>-0-</td>
<td>28</td>
<td>-0-</td>
<td>28</td>
</tr>
<tr>
<td>Arlington</td>
<td>-0-</td>
<td>27</td>
<td>-0-</td>
<td>27</td>
</tr>
</tbody>
</table>

*Localities imposing local corporate income or gross receipts taxes in addition to state imposes taxes.

A-10
A COMPARATIVE ANALYSIS OF
STATE-LOCAL TAX BURDEN: COMMERCIAL BANKS
Prepared by: New York Clearinghouse Bank Association

A Summary

INTRODUCTION

This study is a comparative analysis of tax burdens on a hypothetical commercial bank in eight U.S. cities including New York City. Taxes chosen for the study include: property tax, sales tax, payroll taxes and "other" state and local taxes.

FINDINGS

• Total State and Local Taxes

New York City ranked first in total state and local taxes for the hypothetical commercial bank. The bank would have to pay from 16% to 137% more in local and state taxes in NYC than in any other location in the study.

• Federal and Foreign Taxes

New York City ranked eighth in federal and foreign taxes for the hypothetical commercial bank. The bank would have to pay from 23% to 116% less in federal and foreign taxes in NYC than in any other location in the study.

• Net Income After Taxes

New York City ranked eighth with respect to net income after taxes for the hypothetical commercial bank. The bank located in NYC would receive from 4% to 14% less in net income after taxes than in any other location in the study.

THE SAMPLE

The eight locations chosen for this study are representative of major commercial bank markets. They are: New York City, NY; San Francisco, CA; Houston, TX; Miami, FL; Buffalo, NY; Newark, NJ; Stamford, CT; Chicago, IL.
ASSUMPTIONS

1. Property taxes - original costs used as required starting point e.g. Full Market Value, Fair Market Value.
2. Sales tax base was computed using available tax base and rate information. It was assumed that this is the proper tax base for each state.
3. Payroll taxes - fixed amount for all states
4. Taxes based on net income.

A. Federal taxable income, line 28 or line 30, used as starting point according to state law.

B. Bad debt deduction is net charge-offs as this is acceptable for all states. Most major banks use either the percentage or experience methods of computing their reserve for loan losses. Unfortunately, there was not enough detailed information at hand to do a separate computation for N.Y. State and City, hence the charge-off was used as a deduction. No material distortion occurs because of this.

C. Foreign source net income is 50% of Federal taxable, line 28 excluding U.S. interest and contributions.

D. Foreign branch net income is 72.1% of foreign source net income.

E. Federally tax exempt income assumed to be 50% from home state.

F. Houston - a property tax payable by the shareholders of bank stock. As a practical matter, the bank pays the tax. It is felt that the sample bank may be overly capitalized.

5. Book income, operating expenses, earnings before taxes and payroll taxes remained constant for each location.
# Adjustments in Arriving at Tax Bases

<table>
<thead>
<tr>
<th></th>
<th>N.Y.C.</th>
<th>Buffalo</th>
<th>Newark, Conn.</th>
<th>Chicago</th>
<th>San Francisco</th>
<th>Houston*</th>
<th>Miami</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Additions:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federally tax exempt income</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>N/A</td>
</tr>
<tr>
<td>State income/franchise taxes</td>
<td>x(1)</td>
<td>x</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>85% dividends received deduction</td>
<td>x</td>
<td>x</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Subtractions:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign taxes paid/accured</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Sec. 78 dividends (deemed paid)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x(4)</td>
<td>N/A</td>
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<tr>
<td>Other subtractions</td>
<td>x(3)</td>
<td>x(3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Footnotes**

(1) However, NYC financial corporation taxes are deductible on NYS return.
(2) Thirty-five percent of dividends received must be added to tax base, rather than 85% of such dividends.
(3) Separate accounting method permits deduction of foreign branch income.
(4) Interest derived from federal obligations is deductible
(5) All foreign source income is deductible.

/* No income based tax - capital stock tax applies.}
<table>
<thead>
<tr>
<th>City</th>
<th>N.Y.C.</th>
<th>Buffalo</th>
<th>Newark</th>
<th>Stanford, Conn.</th>
<th>Chicago</th>
<th>San Francisco</th>
<th>Houston</th>
<th>Miami</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Income Tax Rate</td>
<td>12%</td>
<td>12%</td>
<td>7.5%</td>
<td>10%</td>
<td>4%</td>
<td>13%</td>
<td>*</td>
<td>5%</td>
</tr>
<tr>
<td>City Income Tax Rate</td>
<td>13.823%</td>
<td>-0%</td>
<td>-0%</td>
<td>-0%</td>
<td>-0%</td>
<td>-0%</td>
<td>-0%</td>
<td>-0%</td>
</tr>
</tbody>
</table>

**State and Local Taxes based upon locality**

<table>
<thead>
<tr>
<th></th>
<th>N.Y.C.</th>
<th>Buffalo</th>
<th>Newark</th>
<th>Stanford, Conn.</th>
<th>Chicago</th>
<th>San Francisco</th>
<th>Houston</th>
<th>Miami</th>
</tr>
</thead>
<tbody>
<tr>
<td>City tax based on Net Income</td>
<td>132,247</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Capital Stock Tax</td>
<td>-0-</td>
<td>-0-</td>
<td>19,019</td>
<td>-0-</td>
<td>-0-</td>
<td>256,937</td>
<td>-0-</td>
<td>-0-</td>
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<tr>
<td>Property Tax</td>
<td>120,488</td>
<td>86,721</td>
<td>139,508</td>
<td>114,244</td>
<td>119,159</td>
<td>67,177</td>
<td>53,510</td>
<td>104,305</td>
</tr>
<tr>
<td>Sales and Use Tax</td>
<td>15,163</td>
<td>13,267</td>
<td>9,477</td>
<td>13,267</td>
<td>9,477</td>
<td>12,320</td>
<td>9,477</td>
<td>7,581</td>
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<tr>
<td>Other State/Local Tax</td>
<td>3,411</td>
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<td>2,398</td>
<td>-0-</td>
<td>5,580</td>
<td>-0-</td>
<td>-0-</td>
<td>9,146</td>
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**Total State & Local taxes based upon locality**

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<th>Newark</th>
<th>Stanford, Conn.</th>
<th>Chicago</th>
<th>San Francisco</th>
<th>Houston</th>
<th>Miami</th>
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</thead>
<tbody>
<tr>
<td>Total</td>
<td>370,246</td>
<td>219,476</td>
<td>232,038</td>
<td>182,941</td>
<td>162,470</td>
<td>194,120</td>
<td>319,924</td>
<td>156,234</td>
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</table>

**Eight (8) City average**

<table>
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<th>Stanford, Conn.</th>
<th>Chicago</th>
<th>San Francisco</th>
<th>Houston</th>
<th>Miami</th>
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<tr>
<td>Average</td>
<td>229,681</td>
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<td>229,681</td>
<td>229,681</td>
<td>229,681</td>
<td>229,681</td>
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</table>

**Percent above (below) average**

<table>
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<th>Stanford, Conn.</th>
<th>Chicago</th>
<th>San Francisco</th>
<th>Houston</th>
<th>Miami</th>
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<tr>
<td>Percent</td>
<td>61</td>
<td>(4.4)</td>
<td>1</td>
<td>(20.3)</td>
<td>(29.3)</td>
<td>(15.5)</td>
<td>39.3</td>
<td>(32.0)</td>
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**Total State & Local tax as a percentage of earnings before taxes (1,427,322)**

<table>
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<th></th>
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<th>Newark</th>
<th>Stanford, Conn.</th>
<th>Chicago</th>
<th>San Francisco</th>
<th>Houston</th>
<th>Miami</th>
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<tr>
<td>Percentage</td>
<td>25.9</td>
<td>15.4</td>
<td>16.3</td>
<td>12.8</td>
<td>11.4</td>
<td>13.6</td>
<td>22.4</td>
<td>10.9</td>
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</table>

*No income based tax - Capital Stock tax imposed
Prepared by the Tax and Accounting Committee of the N.Y. Clearing House Association
<table>
<thead>
<tr>
<th></th>
<th>N.Y.C.</th>
<th>BUFFALO</th>
<th>NEWARK</th>
<th>STANFORD, CONN.</th>
<th>CHICAGO</th>
<th>SAN FRANCISCO</th>
<th>HOUSTON</th>
<th>MIAMI</th>
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<tbody>
<tr>
<td>1) Book income before expenses</td>
<td>7,475,912</td>
<td>7,475,912</td>
<td>7,475,912</td>
<td>7,475,912</td>
<td>7,475,912</td>
<td>7,475,912</td>
<td>7,475,912</td>
<td>7,475,912</td>
</tr>
<tr>
<td>2) Operating expenses</td>
<td>6,048,590</td>
<td>6,048,590</td>
<td>6,048,590</td>
<td>6,048,590</td>
<td>6,048,590</td>
<td>6,048,590</td>
<td>6,048,590</td>
<td>6,048,590</td>
</tr>
<tr>
<td>3) Earnings before taxes</td>
<td>1,427,322</td>
<td>1,427,322</td>
<td>1,427,322</td>
<td>1,427,322</td>
<td>1,427,322</td>
<td>1,427,322</td>
<td>1,427,322</td>
<td>1,427,322</td>
</tr>
<tr>
<td>4) Payroll taxes</td>
<td>140,038</td>
<td>140,038</td>
<td>140,038</td>
<td>140,038</td>
<td>140,038</td>
<td>140,038</td>
<td>140,038</td>
<td>140,038</td>
</tr>
<tr>
<td>5) Total State &amp; Local taxes based upon locality 1</td>
<td>370,246</td>
<td>219,476</td>
<td>232,038</td>
<td>182,941</td>
<td>162,470</td>
<td>194,120</td>
<td>319,924</td>
<td>156,234</td>
</tr>
<tr>
<td>6) Federal &amp; Foreign Taxes</td>
<td>81,239</td>
<td>146,651</td>
<td>140,873</td>
<td>163,457</td>
<td>172,874</td>
<td>158,334</td>
<td>100,445</td>
<td>175,743</td>
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<tr>
<td>7) Net income after taxes</td>
<td>835,799</td>
<td>921,157</td>
<td>914,373</td>
<td>940,886</td>
<td>951,940</td>
<td>934,830</td>
<td>866,915</td>
<td>955,307</td>
</tr>
</tbody>
</table>

1. See Table 1

Prepared by the Tax and Accounting Committee of the N.Y. Clearing House Association
TABLE 3
State and Local Taxation of a Hypothetical Commercial Bank in Eight (8) United States Cities

Assumptions

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
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</thead>
<tbody>
<tr>
<td>Payroll Taxes—all Domestic</td>
<td>140,038</td>
</tr>
<tr>
<td>Tax Exempt Interest—all Domestic</td>
<td>726,450</td>
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<tr>
<td>Sales &amp; Use Tax Base</td>
<td>189,535</td>
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</table>

**Total Assets**

<table>
<thead>
<tr>
<th>Date</th>
<th>Value</th>
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<td>Beginning of year</td>
<td>135,285,372</td>
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<tr>
<td>End of year</td>
<td>138,320,319</td>
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</table>

**Tangible Property**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
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<tbody>
<tr>
<td>Real Estate</td>
<td>1,958,322</td>
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<tr>
<td>Leasehold Improvements</td>
<td>308,999</td>
</tr>
<tr>
<td>Personal Property</td>
<td>1,054,494</td>
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</table>

**Stock & Retained Earnings**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
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</thead>
<tbody>
<tr>
<td>Stock</td>
<td>2,772,000</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>10,255,342</td>
</tr>
</tbody>
</table>

Prepared by the Tax and Accounting Committee of the N.Y. Clearing House Association
# State and Local Taxation of a Hypothetical Commercial Bank in Eight (8) United States Cities

## Assumptions

<table>
<thead>
<tr>
<th>INCOME</th>
<th>DOMESTIC</th>
<th>FOREIGN BRANCH</th>
<th>FOREIGN SOURCE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends</td>
<td>10,124</td>
<td>7,299</td>
<td>2,825</td>
<td>20,248</td>
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<tr>
<td>U.S. Interest</td>
<td>175,486</td>
<td>-0-</td>
<td>-0-</td>
<td>175,486</td>
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<tr>
<td>Other Interest</td>
<td>3,010,260</td>
<td>2,170,399</td>
<td>839,863</td>
<td>6,020,521</td>
</tr>
<tr>
<td>Rent</td>
<td>6,724</td>
<td>4,849</td>
<td>1,876</td>
<td>13,449</td>
</tr>
<tr>
<td>Ordinary Gain</td>
<td>3,374</td>
<td>2,433</td>
<td>942</td>
<td>6,749</td>
</tr>
<tr>
<td>Other Income</td>
<td>256,429</td>
<td>194,922</td>
<td>71,588</td>
<td>522,959</td>
</tr>
<tr>
<td><strong>Total Income Subject to Federal Tax</strong></td>
<td>3,462,497</td>
<td>2,369,901</td>
<td>917,064</td>
<td>6,749,462</td>
</tr>
</tbody>
</table>

## DEDUCTIONS

<table>
<thead>
<tr>
<th>DEDUCTIONS</th>
<th>DOMESTIC</th>
<th>FOREIGN BRANCH</th>
<th>FOREIGN SOURCE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officer's Compensation</td>
<td>108,874</td>
<td>79,499</td>
<td>30,376</td>
<td>217,749</td>
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<td>Salaries &amp; Wages</td>
<td>266,138</td>
<td>191,485</td>
<td>74,253</td>
<td>532,276</td>
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<tr>
<td>Repairs</td>
<td>12,097</td>
<td>8,722</td>
<td>3,375</td>
<td>24,194</td>
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<tr>
<td>Bad Debts</td>
<td>111,899</td>
<td>80,679</td>
<td>31,220</td>
<td>223,798</td>
</tr>
<tr>
<td>Rents</td>
<td>66,534</td>
<td>47,972</td>
<td>18,563</td>
<td>133,069</td>
</tr>
<tr>
<td>Interest</td>
<td>2,120,031</td>
<td>1,528,542</td>
<td>591,489</td>
<td>4,240,062</td>
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<tr>
<td>Contributions</td>
<td>6,049</td>
<td>-0-</td>
<td>-0-</td>
<td>6,049</td>
</tr>
<tr>
<td>Depreciation</td>
<td>24,194</td>
<td>17,445</td>
<td>6,750</td>
<td>48,389</td>
</tr>
<tr>
<td>Advertising</td>
<td>21,170</td>
<td>15,264</td>
<td>5,906</td>
<td>42,340</td>
</tr>
<tr>
<td>Pension</td>
<td>48,388</td>
<td>34,888</td>
<td>13,501</td>
<td>96,777</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>12,097</td>
<td>8,722</td>
<td>3,375</td>
<td>24,194</td>
</tr>
<tr>
<td>Other Deductions</td>
<td>229,846</td>
<td>165,720</td>
<td>64,127</td>
<td>459,693</td>
</tr>
<tr>
<td><strong>Total Deductions</strong></td>
<td>3,027,317</td>
<td>2,178,338</td>
<td>842,935</td>
<td>6,048,550</td>
</tr>
</tbody>
</table>

Income subject to Federal taxation before any deductions for taxes.

| Income subject to Federal tax | 435,180 | 191,563 | 74,129 | 700,872 |
A COMPARATIVE ANALYSIS OF
STATE-LOCAL TAX BURDEN: LIFE INSURANCE COMPANIES *
Prepared by: Life Insurance Council of New York

A Summary

INTRODUCTION

This study, is a comparative analysis of the tax burden on a
life insurance company domiciled and headquartered in New York
City and in 6 other locations throughout the United States.
They are: Atlanta, Georgia; Houston, Texas; Los Angeles,
California; Hartford, Connecticut; Chicago, Illinois; White
Plains, New York.

FINDINGS

- Tax savings for the companies involved were projected in the
case of a move to any one of the six selected locations.
The tax dollars saved expressed a percentage savings of taxes
currently paid to New York City were as follows: Atlanta, GA-
60.44%; Houston, TX - 58.13%; Los Angeles, CA - 63.76%;
Hartford, CT - 16.66%; Chicago, IL - 24.06%; and White
Plains, NY - 50.90%.

Below is a comparative analysis of taxes paid by an insurance
company domiciled and headquartered in Houston, Texas
contrasted with taxes paid by an insurance company located in
New York City (state taxes have been omitted except for the
NYS Insurance Assessment).

<table>
<thead>
<tr>
<th></th>
<th>NYC Texas Paid $ Mill.</th>
<th>Houston Saving</th>
<th>Percentage Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate Tax</td>
<td>5.670</td>
<td>4.131</td>
<td>72.87%</td>
</tr>
<tr>
<td>Commercial Rent Tax</td>
<td>.089</td>
<td>.089</td>
<td>100.00%</td>
</tr>
<tr>
<td>Vault Tax</td>
<td>.092</td>
<td>.092</td>
<td>100.00%</td>
</tr>
<tr>
<td>Sales &amp; Use Tax</td>
<td>.622</td>
<td>.155</td>
<td>25.00%</td>
</tr>
<tr>
<td>Personal Property Tax</td>
<td>-0-</td>
<td>(.706)</td>
<td>(100.00%)</td>
</tr>
<tr>
<td></td>
<td>6.472</td>
<td>3.761</td>
<td>58.12%</td>
</tr>
<tr>
<td>NYS Ins. Assessment</td>
<td>3.09</td>
<td>3.09</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

|                      | $9.562                  | $6.851         | 71.65%             |

*/ This analysis omits the NYS Franchise Tax on Insurance Companies
It should be noted that the data does not include NYS franchise tax on insurance companies. The tax comparisons therefore are incomplete as to the total taxes insurance companies have to pay in their respective locations.

However, while the study does not include the NYS franchise tax on insurance companies, it did conclude that New York City insurance companies are adversely affected by the way their total income is allocated to New York for purposes of determining New York taxable income. The study indicates that the present allocation formula works "to reward companies moving jobs out of New York by lowering New York taxable income and to punish companies bringing jobs to New York by raising New York taxable income." Specifically the allocation of taxable net income to New York is accomplished by applying a two factor formula based upon the sum of the weighted ratio of premiums written in the state to total premiums and wages paid in the state to total wages. The premiums ratio is given a weight of nine times the ratio derived from the wages factor and the sum of the two ratios is divided by ten. For example, if a company has a total net income of $10 million, a ratio of New York Premiums to total premiums of 20%, and a ratio of New York payroll to total payroll of 50%, the following formula can be utilized to derive New York taxable income:

\[
\frac{(\text{Premiums}) \times 180 + (\text{Payroll}) \times 50}{10} = \frac{230}{10} = 23\% \times \frac{$10 \text{ million}}{10} = \$2.3 \text{ million (taxable New York income)}.\]

If the same company moves the bulk of its New York jobs to another location outside NYS, the ratio of New York to total premiums remains the same. However, the ratio of New York payroll to total payroll changes significantly as the following equation demonstrates:

\[
\frac{(\text{Premiums}) \times 180 + (\text{Payroll}) \times 2}{10} = \frac{182}{10} = 18.2\% \times \frac{$10 \text{ million}}{10} = $1.82 \text{ million (taxable New York income)}.\]

In addition to the NYS franchise tax, New York's domestic insurance companies are required to pay an insurance assessment. This assessment is imposed under Section 32A of the New York Insurance Law and is intended to defray the operating expenses of the New York Insurance Department. Other states rely on general revenues and do not similarly require their domestic companies to pay for the costs of running the State insurance departments. The Section 32A assessment imposed on New York's domestic insurance companies is substantial and would not be imposed if the companies in the study were domiciled in any of the jurisdiction considered other than White Plains.
SAMPLE

A geographic cross section of possible headquarter locations was selected for analysis to give an indication what the tax burden would be on an insurance company located outside of New York City.

It should be noted that the companies included in the study while domiciled and headquartered in New York City conduct operations on a national basis. In fact, 87% of their total premiums are derived from sources outside New York. The companies in the study also hold over 75% of the assets of all New York domestic insurance companies and write over 60% of total New York life insurance company New York business.

The methodology involved an investigation of the kind of taxes imposed in each of these locations and the rates and bases involved. A comparison was made between the taxes paid by companies now headquartered in New York City and the taxes derived if these companies shifted their headquarter operations to the other locations in the study. Finally, the taxes that would be imposed in those locations on the headquarters operations involved were compared on an item by item as well as total burden basis with the present taxes paid relative to headquarters operations now located in New York City.
ENERGY TAX STUDY
Prepared by: NYC Office of Economic Development

A Summary

INTRODUCTION

The energy tax study presents both a review and analysis of NYC and NYS taxes levied on owner - investor utilities and their customers. The analysis reviews the following:

1. Local and state tax collections from the two major utilities serving NYC - Con Edison and Brooklyn Union Gas.

2. Changes in tax collections as a percent of total revenue for Con Edison and Brooklyn Union Gas.

3. Comparative residential, commercial and industrial electrical rates for six utility companies (Con Edison, NY; Long Island Lighting, NY; PSEG, NJ; Boston Edison, MA; Philadelphia Electric, PA; Hartford Electric, CT;) in five northeastern states.

Local and state taxes included in the study were: NYC and NYS revenue taxes (NYC public utility excise tax, NYS gross income tax, NYS franchise tax on gross earnings and dividends), NYC property and franchise taxes, and NYS sales taxes imposed on both the consumer and the utility.

FINDINGS

- Con Edison electricity rates are from 45% to 112% greater than those of the six utilities in the study.

- State and local taxes paid by customers of Con Edison are from 78% to 374% greater than those paid by customers of any other comparable utility in the study.

- The most rapidly growing taxes paid by Con Edison and Brooklyn Union Gas are the sales tax and utility receipts taxes since they are based on gross revenue which reflects the tremendous rise in the price of oil and gas.
- The most burdensome (as a percent of operating revenue) local taxes on the two major utilities are the NYC property and franchise taxes.

- Taxes added to or contained in Con Edison's bills in 1978 totaled $827 million or 27% of Con Edison's revenues. Since Con Edison sold 35 billion kilowatt hours of electricity, the above taxes averaged 2.36 cents per kilowatt hour.

- Taxes added to or contained in Brooklyn Union Gas bills totaled $99 million or 23.7% of Brooklyn Union's revenue. Since Brooklyn Union sold 90 billion cubic feet of gas in 1978, the above taxes averaged $1.10 per thousand feet of gas sold.

- Only NYS and NYC impose sales taxes on gas service in the northeast. New Jersey, Massachusetts, Pennsylvania and Connecticut exempt gas usage from sales taxes.

- From 1973 to 1978, NYC tax collections from Con Edison and Brooklyn Union Gas increased more than 53% while NYS tax collections from the utilities rose more than 66%.
SAMPLE

The sample utilities, Con Edison of New York and Brooklyn Union Gas, were chosen since they supply most of the power needs for New York City residents.

Con Edison of New York City supplies electric service in all NYC (except part of Queens) and in most of Westchester County. It also supplies gas in Manhattan, the Bronx and parts of Queens and Westchester County and steam in part of Manhattan. Certain governmental customers within the Company's service territory receive service through the Company's facilities from the Power Authority of the State of New York.

Brooklyn Union Gas distributes natural gas in a territory of approximately 187 square miles which includes the boroughs of Brooklyn, Staten Island and part of Queens.

The five comparative utilities (Long Island Lighting, NY; PSEG, New Jersey; Boston Edison, Massachusetts; Philadelphia Electric Company, Pennsylvania; Hartford Electric, Connecticut) were chosen to be representative of energy costs in five northeastern states.

The data base was derived from a number of sources. Specifically the annual reports of both Con Edison and Brooklyn Union Gas and the annual reports published by the Public Service Commission provided the requisite information on tax receipts, revenue, expenditures and gross investment.

Comparative residential electric rates were ascertained from the Jacksonville Electric Authority's study on electric rates, while comparative industrial and commercial rates were provided by the U.S. Department of Energy's Typical Electric Bills. Comparative, local and state taxes levied on the six utilities in this study were derived from studies by Brooklyn Union Gas and Con Edison.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>$1,744,214</td>
<td>$2,450,673</td>
<td>$2,679,411</td>
<td>$2,894,399</td>
<td>$3,034,497</td>
<td>$3,021,234</td>
</tr>
<tr>
<td><strong>TAXES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>New York State</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Franchise</td>
<td>15,818</td>
<td>18,767</td>
<td>21,043</td>
<td>23,926</td>
<td>26,315</td>
<td>26,374</td>
</tr>
<tr>
<td>Gross Income</td>
<td>50,300</td>
<td>69,975</td>
<td>76,901</td>
<td>83,331</td>
<td>83,982</td>
<td>82,818</td>
</tr>
<tr>
<td>Sales</td>
<td>7,317</td>
<td>6,886</td>
<td>7,273</td>
<td>7,322</td>
<td>6,602</td>
<td>8,255</td>
</tr>
<tr>
<td><strong>New York City</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spec Franchise</td>
<td>99,963</td>
<td>108,337</td>
<td>123,404</td>
<td>144,959</td>
<td>157,846</td>
<td>164,689</td>
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<tr>
<td>Property</td>
<td>142,987</td>
<td>161,153</td>
<td>173,638</td>
<td>183,983</td>
<td>187,723</td>
<td>187,966</td>
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<tr>
<td>Utility</td>
<td>36,083</td>
<td>50,458</td>
<td>55,273</td>
<td>59,482</td>
<td>60,766</td>
<td>60,137</td>
</tr>
<tr>
<td>Commercial Rent</td>
<td>200</td>
<td>194</td>
<td>193</td>
<td>196</td>
<td>195</td>
<td>244</td>
</tr>
<tr>
<td>Sales</td>
<td>16,606</td>
<td>27,408</td>
<td>27,966</td>
<td>29,674</td>
<td>28,894</td>
<td>30,270</td>
</tr>
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</table>

**SOURCE:** Public Service Commission
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenue</strong></td>
<td>$179,880</td>
<td>$215,878</td>
<td>$279,559</td>
<td>$332,659</td>
<td>$395,477</td>
<td>$416,467</td>
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<tr>
<td><strong>TAXES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>New York State</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Franchise</td>
<td>1,613</td>
<td>1,966</td>
<td>2,439</td>
<td>2,932</td>
<td>3,356</td>
<td>3,643</td>
</tr>
<tr>
<td>Gross Income</td>
<td>5,325</td>
<td>6,506</td>
<td>8,236</td>
<td>9,987</td>
<td>11,083</td>
<td>12,286</td>
</tr>
<tr>
<td>Sales</td>
<td>1,161</td>
<td>1,519</td>
<td>1,885</td>
<td>1,717</td>
<td>2,037</td>
<td>2,157</td>
</tr>
<tr>
<td><strong>New York City</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spec Franchise</td>
<td>10,336</td>
<td>11,358</td>
<td>13,426</td>
<td>16,038</td>
<td>17,738</td>
<td>18,863</td>
</tr>
<tr>
<td>Property</td>
<td>4,607</td>
<td>4,420</td>
<td>7,660</td>
<td>9,124</td>
<td>9,447</td>
<td>9,395</td>
</tr>
<tr>
<td>Utility</td>
<td>4,166</td>
<td>5,096</td>
<td>N/A</td>
<td>7,809</td>
<td>8,690</td>
<td>9,581</td>
</tr>
<tr>
<td>Commercial Rent</td>
<td>17</td>
<td>15</td>
<td>N/A</td>
<td>14</td>
<td>11</td>
<td>13</td>
</tr>
<tr>
<td>Sales</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**SOURCE:** Public Service Commission
### TABLE 3

**TAX COMPARISONS**

**1978**

Taxes Other Than Federal Income Taxes
Paid by Customers of Various Utilities

<table>
<thead>
<tr>
<th>Location</th>
<th>Cents Per KWHR</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York, N.Y.</td>
<td></td>
</tr>
<tr>
<td>Con Edison</td>
<td>2.12¢</td>
</tr>
<tr>
<td>Long Island, N.Y.</td>
<td></td>
</tr>
<tr>
<td>Long Island Lightnings Co.</td>
<td>1.187¢</td>
</tr>
<tr>
<td>New Jersey</td>
<td></td>
</tr>
<tr>
<td>PSEG</td>
<td>.786¢</td>
</tr>
<tr>
<td>Boston, M.A.</td>
<td></td>
</tr>
<tr>
<td>Boston Edison</td>
<td>.763¢</td>
</tr>
<tr>
<td>Philadelphia, P.A.</td>
<td></td>
</tr>
<tr>
<td>Philadelphia Electric</td>
<td>.426¢</td>
</tr>
<tr>
<td>Connecticut</td>
<td></td>
</tr>
<tr>
<td>Hartford Electric</td>
<td>.447¢</td>
</tr>
</tbody>
</table>

**SOURCE:** Con Edison

A-26
<table>
<thead>
<tr>
<th>STATE</th>
<th>Current State Sales Tax Rate</th>
<th>Additional Local Sales Tax</th>
<th>Combined Total</th>
<th>Gas Usage Exempt From Sales Tax</th>
<th>Effective Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>4.0</td>
<td>4.0</td>
<td>8.0</td>
<td></td>
<td>8.0</td>
</tr>
<tr>
<td>New Jersey</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td></td>
<td>0.0</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>6.0</td>
<td>6.0</td>
<td>6.0</td>
<td>6.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Connecticut</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td></td>
<td>0.0</td>
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</table>

SOURCE: Brooklyn Union Gas
## COMPARISON OF RESIDENTIAL ELECTRIC RATES IN FIVE NORTH EASTERN STATES

**October, 1979**

<table>
<thead>
<tr>
<th>State/Utility</th>
<th>500 KWH</th>
<th>750 KWH</th>
<th>1000 KWH</th>
<th>1500 KWH</th>
<th>2000 KWH</th>
<th>3000 KWH</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York, New York Con Edison</td>
<td>$54.96</td>
<td>$80.78</td>
<td>$106.59</td>
<td>$158.22</td>
<td>$209.86</td>
<td>$313.12</td>
</tr>
<tr>
<td>Long, Island, N.Y. Long Island Lighting</td>
<td>38.53</td>
<td>55.95</td>
<td>73.13</td>
<td>107.50</td>
<td>141.86</td>
<td>210.59</td>
</tr>
<tr>
<td>New Jersey (portion of) PSEG</td>
<td>37.61</td>
<td>54.57</td>
<td>71.55</td>
<td>105.50</td>
<td>139.45</td>
<td>207.35</td>
</tr>
<tr>
<td>Boston, MA Boston Edison</td>
<td>39.62</td>
<td>48.75</td>
<td>64.12</td>
<td>96.49</td>
<td>128.86</td>
<td>193.60</td>
</tr>
<tr>
<td>Philadelphia, PA Philadelphia Electric</td>
<td>32.63</td>
<td>47.65</td>
<td>62.67</td>
<td>92.70</td>
<td>122.74</td>
<td>182.81</td>
</tr>
<tr>
<td>Connecticut (Urban) Hartford Electric</td>
<td>30.17</td>
<td>39.52</td>
<td>49.99</td>
<td>74.31</td>
<td>98.64</td>
<td>147.29</td>
</tr>
</tbody>
</table>

- **Applicable Taxes to be added to Bill**
  - 6.1% increase in rates and changes and 7% sales tax
  - 6% state and local sales tax and 1% muni. if applc.
  - 4.06% state tax surcharge
  - NONE

**SOURCE:** Jacksonville Electric Authority

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# COMPARISON OF COMMERCIAL ELECTRIC RATES IN FIVE NORTH EASTERN STATES

## JANUARY 1978 (WINTER MONTHS)

<table>
<thead>
<tr>
<th></th>
<th>375 KWH</th>
<th>750 KWH</th>
<th>1,500 KWH</th>
<th>6,000 KWH</th>
<th>10,000 KWH</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York, New York</td>
<td>$40.57</td>
<td>$76.78</td>
<td>$190.80</td>
<td>$568.95</td>
<td>$840.33</td>
</tr>
<tr>
<td>Con Edison</td>
<td></td>
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<tr>
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</tr>
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<td>545.96</td>
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**SOURCE:** U.S. Department of Energy
COMPARISON OF INDUSTRIAL ELECTRIC RATES IN
FIVE NORTH EASTERN STATES

JANUARY 1978
(Winter Months)

Billing Demands (KILOWATTS) and Monthly Consumption (KILOWATT-HOURS)

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<td>781</td>
<td>1157</td>
<td>1459</td>
<td>2210</td>
<td>2737</td>
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SOURCE: U.S. Department of Energy
A COMPARATIVE ANALYSIS OF TAX BURDEN ON
FAMILIES AT FOUR INCOME LEVELS*
Prepared by: Center for Governmental Research,
Rochester, New York

A Summary

INTRODUCTION

This study, which updates a similar study released in 1976, is a comparative analysis of state and local taxes on a four person family at four income levels — $10,000, $17,500
$25,000, $50,000. The purpose of the study is to compare the
tax climate in 28 localities in 12 states, specifically focusing
on NY's tax position relative to the other areas surveyed.
The NYC site chosen for the comparison is located in Queens.
The taxes included in the study are: property tax, sales tax,
personal income tax and the motor vehicles tax.

FINDINGS

• Aggregate Tax Burden  (See Table 1)

$50,000 Income Class
For families earning $50,000 aggregate tax
burden in NYC ranked first out of the 28
sites in the study.

$25,000 Income Class
For families earning $25,000 aggregate tax
burden in NYC ranked fourth out of all other
sites in the study.

$17,500 Income Class
For families earning $17,500 aggregate tax
burden in NYC ranked sixth out of all other
sites in the study.

$10,000 Income Class
For families earning $10,000 aggregate tax
burden in NYC ranked fifth out of all other
sites in the study.

• Sales Tax Burden  (See Table 2)

The ranking reflect both local and state sales taxes.

$50,000 Income Class
For families earning $50,000 sales tax burden
in NYC ranked first out of the 28 sites in the study.

*The data utilized to construct this study is for 1977. An update
incorporating recent information will be available later this year.
$17,500 Income Class
For families earning $17,500 sales tax burden in NYC ranked first out of all other sites in the study.

$25,000 Income Class
For families earning $25,000 sales tax burden in NYC ranked first out of all other sites in the study.

$10,000 Income Class
For families earning $10,000 sales tax burden in NYC ranked first out of all other sites in the study.

- Personal Income Tax Burden (See Table 3)
The ranking reflects local, state and federal income taxes.

$50,000 Income Class
For families earning $50,000 personal income tax burden in NYC ranked first out of all the 28 sites in the study.

$25,000 Income Class
For families earning $25,000 personal income tax burden in NYC ranked first out of all other sites in the study.

$17,500 Income Class
For families earning $17,500 personal income tax burden in NYC ranked second out of all other sites in the study.

$10,000 Income Class
For families earning $10,000 personal income tax burden in NYC ranked third out of all other sites in the study.

- Property Tax Burden (See Table 4)

$50,000 Income Class
For families earning $50,000 property tax burden in NYC ranked twentieth out of the 28 sites in the study.

$25,000 Income Class
For families earning $25,000 property tax burden in NYC ranked twentieth out of all other sites in the study.
$17,500 Income Class
For families earning $17,500 property tax burden in NYC ranked nineteenth out of all other sites in the study.

$10,000 Income Class
For families earning $10,000 property tax burden in NYC ranked nineteenth out of all other sites in the study.

Motor Vehicle Tax Burden (See Table 5) (motor vehicle taxes are considered state taxes).

$50,000 Income Class
For families earning $50,000 motor vehicle tax burden in NYS ranked fourth out of the 12 state sites in the study.

$25,000 Income Class
For families earning $25,000 motor vehicle tax burden in NYS ranked third out of all other state sites in the study.

$17,500 Income Class
For families earning $17,500 motor vehicle tax burden in NYS ranked third out of all other state sites in the study.

$10,000 Income Class
For families earning $10,000 motor vehicle tax burden in NYS ranked third out of all other state sites in the study.
ASSUMPTIONS

* Property Taxes

To determine the real property tax base, housing to income ratios were derived from a study conducted S.E. Lile entitled Family Tax Burdens, 1975 which found a relationship between income and property values. For instance a family with an income of $6,000 was assumed to have a house worth $9,000 ($6,000 x 1.5); $17,500 income level - $35,000 house ($17,500 x 2.0); $25,000 income level - $43,750 house ($25,000 x 1.75); $50,000 income level - $75,000 house ($50,000 x 1.5).

For tangible personal property, the value of household goods were determined from state manuals in Arkansas and North Carolina. Values on motor vehicles were determined from NADA manuals. Assumptions pertaining to the age and type of automobile owned at each income level are found in the motor vehicle tax section.

Information concerning the intangible personal property tax base was derived from IRS data. Capital gains are assumed to be long term, all interest income at the $17,500 and $25,000 levels is from accounts yielding 5.5%, while at $50,000, $1,000 in interest income is considered to be from 5.5% accounts and $18,00 is considered to be from deposits, bonds or certificates yielding 6.5% interest. The rate of return on stocks has been estimated at 4% market value.

* Personal Income Taxes

All income is assumed to be salaries and wages at the $10,000 level. Income is distributed at the other income levels as follows:

<table>
<thead>
<tr>
<th>Income Source</th>
<th>Income Source</th>
<th>Source Source</th>
<th>Source Source</th>
<th>Source Source</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>$17,500</strong></td>
<td><strong>$25,000</strong></td>
<td><strong>$50,000</strong></td>
<td></td>
</tr>
<tr>
<td>Wage and Salaries</td>
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<td>$16,765</td>
<td>$23,200</td>
<td>$41,000</td>
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<tr>
<td>Interest</td>
<td></td>
<td>425</td>
<td>900</td>
<td>2,800</td>
</tr>
<tr>
<td>Dividends</td>
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<td>160</td>
<td>450</td>
<td>3,400</td>
</tr>
<tr>
<td>Capital Gains</td>
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<td>150</td>
<td>450</td>
<td>2,800</td>
</tr>
<tr>
<td></td>
<td><strong>$17,500</strong></td>
<td><strong>$25,000</strong></td>
<td><strong>$50,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For those states that differentiate between income from corporations incorporated within or without the state, 50% is assumed to be income from in state corporations.

Standard deductions as defined in each tax are used for the $10,000 level. Itemized deductions were calculated for the upper income levels by computing the average itemized deductions for each income level, then removing the tax component of such deductions and substituting deductible taxes as calculated for the specific sites in this study.

A-34
• **Sales Taxes**

  It was assumed that the actual sales tax paid are the same as those computed from the IRS sales tax tables for a family of four. State and local taxes do not include sales taxes paid on large purchases.

• **Motor Vehicle Taxes**

  Automobile value computations were derived from the NADA manual. Gasoline taxes were computed using tax rates per gallon as listed in the IRS Instructions for Form 1040. Registration fees were derived from *Road User and Property Taxes* published by the U.S. Department of Transportation.
<table>
<thead>
<tr>
<th>State-Local Tax Burden - by Income Level and Location</th>
<th>Single Wage Earner, Family of Four, 1977</th>
</tr>
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<tbody>
<tr>
<td><strong>TABLE 1</strong></td>
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<table>
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<tr>
<th>Income Level</th>
<th>$10,000</th>
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<th>$25,000</th>
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</thead>
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<td>Amount</td>
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<td>Rank</td>
<td>Amount</td>
<td>TR</td>
<td>Rank</td>
<td>Amount</td>
<td>TR</td>
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</tr>
<tr>
<td>New York City (Queens)</td>
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<td>10.4%</td>
<td>6</td>
<td>$2,953</td>
<td>11.8%</td>
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<td>Clay</td>
<td>926</td>
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<td>8</td>
<td>1,753</td>
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<td>3</td>
<td>2,104</td>
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<td>3,126</td>
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<td>11.3%</td>
<td>2</td>
<td>2,126</td>
<td>12.2%</td>
<td>2</td>
<td>3,156</td>
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<td>Greece</td>
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<td>1,771</td>
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<td>956</td>
<td>5.5%</td>
<td>25</td>
<td>1,560</td>
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<td>6.5%</td>
<td>20</td>
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A-36
<table>
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<tr>
<th></th>
<th>$10,000</th>
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<tr>
<td><strong>Pennsylvania</strong></td>
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<tr>
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<td>2,345</td>
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<tr>
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<tr>
<td>Nashville</td>
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<td>4.9%</td>
<td>27</td>
<td>759</td>
</tr>
<tr>
<td>Chattanooga</td>
<td>451</td>
<td>4.5%</td>
<td>28</td>
<td>684</td>
</tr>
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*Includes property, income, sales and automobile taxes.*
<table>
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<tr>
<th>State</th>
<th>State Rate</th>
<th>Local Rate</th>
<th>Total Rate</th>
<th>Exemptions</th>
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<td>4.00%</td>
<td>4.00%</td>
<td>8.00%</td>
<td></td>
</tr>
<tr>
<td>New York City (Queens)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Clay</td>
<td>4.00</td>
<td>3.00</td>
<td>7.00</td>
<td></td>
</tr>
<tr>
<td>Oyster Bay</td>
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<td>3.00</td>
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<tr>
<td>Rochester</td>
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<td>3.00</td>
<td>7.00</td>
<td></td>
</tr>
<tr>
<td>Greece</td>
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<td>3.00</td>
<td>7.00</td>
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</tr>
<tr>
<td>Perinton</td>
<td>4.00</td>
<td>3.00</td>
<td>7.00</td>
<td></td>
</tr>
<tr>
<td>Arkansas</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saline</td>
<td>3.00</td>
<td>--</td>
<td>3.00</td>
<td></td>
</tr>
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*Includes Local Income Tax
**Median of states with personal income taxes (Connecticut and Tennessee not included).
EIR = Effective Income Tax Rate (taxes paid as a percent of adjusted gross income).
### Table 4
**Property Taxes by Income Level, 1977**

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*Includes real, tangible personal and intangible personal property.
TABLE 5

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median $79 $97 $136 $146

*These states also have taxes based on the value of the car; these taxes are included in the property tax calculations.
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A-41(a)
### TABLE 7
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The Allocation of Taxable Income of Multi-State Firms

Prepared by: Economic Unit, Citibank

A Summary

INTRODUCTION

This study describes and analyzes the basic issues related to the apportionment of taxable income of a multi-state company among the various states and/or jurisdictions in which it operates. It also describes the various means used to apportion income within and among the states in which the company conducts business and interstate tax code uniformity. In addition, the study summarizes some multi-state attempts that have been made to reconcile variations in state laws regarding allocation.

FINDINGS

The "findings" of this study are somewhat different than those of the other studies completed under the aegis of the Business Tax Task Force. While the other studies focused on quantifiable aspects of various New York State and New York City taxes, this study examined a number of issues related to the allocation of taxable income. The findings are thus summarized within the issue framework.

- Rules for Income Allocation

One issue that is important to New York City is the choice of formula used to allocate the taxable income of multi-state firms to the City.

Each state or jurisdiction with an income tax specifies some sort of mathematical formula to apportion taxable income of multi-state taxpayers based on the amount of business conducted by the firm within the state and outside of the state. This apportionment formula generally takes into account one or more of the following factors: what proportion of a firm's total receipts is from transactions within the taxing jurisdiction; what proportion of the firm's total property is within the given area, and what proportion of the firm's total payroll expenditure is within the taxing jurisdiction.
In New York State all three factors are used (with the receipts factor counted twice) to allocate taxable income as follows:

\[
\text{ALLOCATED TAXABLE INCOME} = \frac{1}{4} \left[ 2 \left( \frac{\text{Gross Receipts from NYS}}{\text{Total Gross Receipts}} \right) + \frac{\text{Payroll in NYS}}{\text{Total Payroll}} + \frac{\text{Property in NYS}}{\text{Total Property}} \right] \times \text{Taxable Income}
\]

In New York City, the same three factors are used to allocate taxable income, but the receipts factor is weighted equally with the payroll and property factors, as follows:

\[
\text{ALLOCATED TAXABLE INCOME} = \frac{1}{3} \left[ \frac{\text{Gross Receipts from NYC}}{\text{Total Gross Receipts}} + \frac{\text{Payroll in NYC}}{\text{Total Payroll}} + \frac{\text{Property in NYC}}{\text{Total Property}} \right] \times \text{Taxable Income}
\]

An example to illustrate what would happen if the City were to adopt the State's method of apportionment follows. Assume that a given firm has ten percent of its receipts, fifty percent of its payroll, and forty percent of its property within the City. The taxable proportion of its income under the present City formula is:

\[
\frac{1}{3} \left[ .10 + .50 + .40 \right] \quad .333 \text{ or } 33 \frac{1}{3}\% \text{ of total taxable income.}
\]

If the City were to adopt the State's double weighting formula, the new taxable income for this firm would be:

\[
\frac{1}{4} \left[ 2 \left( .10 \right) + .50 + .40 \right] \quad .275 \text{ or } 24.5\% \text{ of total taxable income.}
\]
In essence, the State's method may provide additional tax relief to some "export based" firms, i.e. those firms which sell some or all of their outputs outside the City. In addition to the double weighting of receipts, the State permits companies to allocate income without a "regular place of business" outside of the State. New York City, on the other hand, requires a "regular place of Business" outside the City for the purposes of income allocation, thus limiting the number of corporations that can allocate taxable income.

There is, at present no method of determining the net revenue impact if the City were to adopt the State's formula and/or change its place of business prerequisite.

Before New York City considers any changes in its allocation formula, a number of questions must be answered. These include, but are not limited to:

1) How many corporations in the City attribute at least part of their taxable income to another jurisdiction?

2) What percent of their sales are out of state?

3) How does the receipts factor compare to the payroll and property factors?

To answer some of these and related questions, data from the General Corporate Tax returns must be examined.

During the coming months OED and OMB with cooperation from the Department of Finance will be analyzing a sample of these returns to determine the economic and fiscal impact of a change in the allocation formula.

**Interstate-State Uniformity**

The Paper raises the question of membership in the Multi-State Tax Commission (MTC).

MTC is an organization of states that have joined together by compact to address the issues that arise from corporations doing business in more than one state. The work of MTC is concentrated in two areas, uniformity of tax codes and joint audit programs. The main benefits of membership in the MTC is the audit program which aids states in identifying uncollected revenues and inconsistent income reporting by corporate taxpayers. In additional, the program may increase the taxable income by implementing a "throwback" provision which prevents certain income from going unreported.
Currently New York State is not a member of MTC, New Jersey, Pennsylvania and Massachusetts are associate members. Connecticut is not a member.

The Commission currently has 19 full members and 12 associate members. Full members vote, pay dues and may participate in the joint audit program. Associate members join by request of their governors rather than by enactment of the compact. They participate in MTC meetings but do not vote, pay dues, participate in the joint audit program or, in several instances, make UDITPA (Uniform Definition of Income Tax for Tax Purposes Act) available to tax payers.

There are pros and cons to becoming a member of the MTC. The pros include:

(a) Increasing the tax base by implementing a "throwback" provision which would prevent certain income (often substantial) from "falling through the cracks" and not being reported to any state.

(b) More effective and efficient enforcement; the joint audit program aids states in identifying uncollected revenues and inconsistent reporting. In FY'77, the audit program returned $27 for each dollar the states put into it; in FY'78, it returned $24 for every dollar put into it. The joint audit program includes sales and use, franchise, gross receipts taxes, as well as corporate income tax levied by member states.

(c) Availability of litigation assistance to help states defend the results of their audits and to promote compatible interpretations of law in different states' courts.

(d) Participation in an effort to reduce complexities in state tax laws, which are a burden to taxpayers and state enforcement officials alike, and to reduce the inequity that results when firms in national markets avoid paying taxes in states where their only activity is selling.

The Cons include: Possible loss of some corporate headquarters as a result of instituting a "throwback provision" (Article IV. 16(a) of the Multi-state Tax Commission compact which requires that sales made in states where the company's income is not taxable (because it has no property or payroll there) be thrown back to the state of origin for purposes of taxation. Luck of a throwback provision could be regarded as a tax incentive.
A major constraint on New York State membership may be the required adoption of the uniform code, UDITPA, which states that allocation of income be made using the three factor, equally weighted formula. Since New York State currently double weights sales, it may not be to the State's advantage to adopt the uniform code.

Membership for New York City should be considered. It may be that New York City may act independently of the state and seek MTC membership even if the state does not. Since New York City currently uses the three factor formula, this aspect of the uniform code is not an issue. However, there may be other aspects of the code that would not be to New York City's advantage. Further study is recommended.
AN ANALYSIS OF NEW YORK CITY'S PROPERTY TAX

Prepared By: Regional Economics Research Unit, Federal Reserve Bank of New York

INTRODUCTION

This study examines the possible ramifications for New York City of the Hellerstein court decision. The ruling forced the Town of Islip to bring its property tax rolls into conformity with the State legislative requirement that all properties be assessed at 100 percent of their market values. Adherence to such a uniform assessment standard without any other modifications of the property tax would result in all properties being taxed at the same effective tax (tax liability divided by market value).

To evaluate the effect on New York City of moving to such a tax system, it is necessary to know the present distribution of tax liabilities. Therefore, this report begins with an analysis of the present state of New York City's assessment rolls. Data on property sales made over the course of the year ending June 30, 1978 are used to ascertain the level and range of effective tax rates on the different types of property in the city. (The study is actually done in terms of assessment ratios which are computed by dividing a property's assessed value by its market value and which, once multiplied by the statutory tax rate, translate directly into effective tax rates).

FINDINGS

- The Present State of the City's Property Tax Rolls

  1. Dispersion of assessment ratios (and hence of effective tax rates):

     Average assessment ratios vary more than a factor of three across the fifteen major building types isolated in this study.

     In general, commercial and industrial properties are taxed much more heavily than residential and vacant properties.

     Average assessment ratios for each of the building types vary widely across the boroughs.
Average assessment ratios differ for each of the boroughs even after taking account of differences in property mix.

Overall, properties in Manhattan and the Bronx are taxed much more heavily than those in Staten Island with Brooklyn and Queens in between but towards the low end of the range.

Even within a single building type within a single borough the assessment ratios of individual properties vary widely.

Reform of the Rolls

1. Bringing assessed values of all properties into compliance with the official assessment standard.

The apparent futility of trying to divide the rolls into property groups within which assessment ratios are uniform suggest that the only way to eliminate the current disparities is to appraise each property individually.

Attempts to break down the sales data into more narrowly defined property types (e.g. one-storey, single-family houses) and geographical areas (e.g. community planning districts) failed to yield any method of subdividing the rolls into property groups with fairly uniform assessment ratios.

The use of mathematical revaluation—dividing the property tax rolls into subgroups and multiplying the assessed values of all properties in each group by the same factor—could lead to a dramatic increase in the number of appeals by property owners of their assessments and to a loss of a significant portion of the City's taxable rolls. This may happen because mathematical revaluation does nothing to reduce intra-group disparities in assessment ratios (i.e. in effective tax rates) but does force the city to make its official assessment standard clear.

As an example of what might happen, suppose the City raised the average assessment ratio of each of the 15 major building types to 1.0. Based on the dispersion of assessment ratios found in the sales data, this process would result in almost 280,000 properties having assessments 10 percent or more above the official assessment standard of 100 percent of market value. If, because the extent
of the relative over-assessments now becomes clear, all of these owners appeal, the appeals process will be overwhelmed and the City would stand to lose a substantial amount of revenue. In fact, if the assessments on all these properties were reduced to the 100 percent, standard the overall loss to the City's property tax base could amount to almost 17 percent.

2. Maintaining Compliance (Reform of the tax rolls does not involve just bringing assessed values into compliance with the official standard but also keeping them there as property values change).

From an analysis of the sales data, it appears that major changes in assessment procedures would be necessary to prevent the deterioration of any new tax rolls. Remedial action must be taken to eliminate the three causes of the present disparities.

Systematic discrimination. Although assessors apparently do not apply the same assessment standard to each property type, the present dispersion of assessment ratios could not be traced solely to this cause. Therefore, the establishment of a single standard to be applied uniformly to all properties would not be sufficient by itself to remove all of the disparities. In particular, there is not reason to expect that this action alone would do much to eliminate the dispersions within each property and within each geographical area now covered by the same assessor.

If discrimination among property types by assessors were the sum cause of the dispersion, then subdivision of the sales data should have revealed property groups within which assessment ratios were fairly equal. It did not.

Reassessment lags. A large part of the dispersion seems attributable to a delay between the changes in property values and their full recognition in revised property values and their full recognition in revised assessed values. An upgrading of the city's capability to review assessments on a regular basis seems necessary.
A number of the characteristics of the sales data are consistent with those expected from the existence of reassessment lags. For example, the low average assessment ratio for single-family houses and the wide dispersion in their individual ratios apparently stems from the fact that many of these properties have not been reassessed for a very long time. As the values of these properties have risen the average assessment ratio has fallen, but since all of these properties have not fared equally well, the individual assessment ratios have become dispersed. Reassessment lags can also account for the high average assessment ratios in the Bronx where property values have in general been falling. In contrast, the high assessment ratios in Manhattan seem due to more frequent reassessing which serves to keep ratios closer to the official standard which ostensibly is 100 percent.

Poor-quality appraisals. The apparent inability to explain all the dispersion from the two causes mentioned above plus the findings of others raise serious questions about the ability of the City's Real Property Assessment Bureau, as it is presently set up, to provide accurate valuations of those properties it does appraise, to remedy this problem, it may be necessary to do more than add personnel. Consideration must be given to a reorganization of the Bureau as well as to the adoption of alternative methods for appraising. At present the city is investigating the use of a computer assisted mass appraisal (CAMA) system.

Compliance with Hellerstein

The switch to a property tax based on a uniform tax rate and assessment standard (such a tax system referred to herein as a uniform property tax) would cause major reallocations of tax liabilities among the different types of properties and could also affect the values of the properties themselves, resulting in capital gains and losses for the present owners.

Assuming that total tax revenues remain unchanged, those properties now taxed at rates below the city-wide effective tax rate (i.e., those properties with assessment ratios below the city-wide average) will be subject to a tax increase while those taxed above i.e., assessed above) will receive a reduction. It is estimated, for example, that on average taxes on single-family houses could more than double and those on office buildings could fall by almost 40 percent. These shifts may be somewhat reduced if the prices paid in the marketplace adjust to reflect any part of the capitalized values of the tax changes. As a consequence of such adjustments, though, the present owner who faces a tax increase suffers a capital loss while the one who faces a decrease receives a windfall capital gain.
Other Options for Property Tax Reform: Their Limitations for the New York City Case

1. Classification. Elimination of inter-class tax shifts by legalizing the differences in effective tax rates between property classes.

The problem of large intra-class tax shifts remains because of the present wide dispersions of assessment ratios within property groups. While the size of the intra-class shifts can be reduced by increasing the number of classes, legal administrative, and political concerns favor having only a small number.

For many properties the direction and even the magnitude of the tax shift will be changed. For example, there are commercial and industrial properties which would receive small tax reductions under a uniform tax system but would face large tax increase if placed in a class taxed at an effective rate significantly above the city-wide average.

If the present differentials between classes in their average assessment ratios are retained and if the properties are reassessed using a mathematical revaluation method based on the same classes of properties, the present distribution of the tax will be preserved. If in addition total revenues from the tax are keep constant the tax on each property will be unchanged. If the 15 major building types form the basis of the classification scheme then this approach would raise the same potential for 280,000 appeals as discussed above. The only difference is that in this case the potential loss of taxable value to the City is, as a result of classification, slightly higher but still around 17 percent.

2. Phase-in. Gradual implementation of the tax increase, thereby giving taxpayers time to adjust.

Does not alter the ultimate reallocation of the tax.

Prolongs the existing disparities in the treatment of properties.

Requires a temporary increase in the tax rate to maintain revenues, unless taxpayers eligible for decreases are not granted them immediately.
3. Reduction of the city's dependence on the property tax. By lowering everyone's property tax bill, tax increases will be reduced or eliminated.

The reduction would have to be quite large to provide meaningful relief. For example, to prevent any increase of taxes on homeowners who otherwise face the prospect of a more than doubling of taxes, the city would have to cut its collections from the property tax by more than half.

The replacement source of revenue may create as many problems for the City as the tax increases being avoided.

4. Tax reductions for specific groups of taxpayers considered "vulnerable" to tax increases (e.g., the poor or elderly). For example, there are homestead exemptions which provide exemption from tax of a fixed amount of the assessed value of the person's property or circuit-breakers which reduce the tax load once it exceeds a certain level of the taxpayer's income.

The amount of relief to a taxpayer cannot easily be made to vary directly with the specific harm caused by the change.

Since those eligible for relief are likely to exceed the number hurt specifically by the tax change, the costs of providing sufficient help to those injured could be very high (a circuit-breaker program would presumably provide the same amount of protection against tax increases at somewhat less cost since its benefits vary with the amount of tax owed).

5. Deferral of taxes by converting them into liens against the property (generally restricted to elderly homeowners).

May not be effective since taxpayers are reluctant to encumber a major asset.

The program's effectiveness may be limited by the amount of the property's value that those most hurt by tax increases are willing to encumber or that the law allows them to encumber.
Two underlying themes that emerge from the study

Given the present state of New York City's assessment rolls:

The city would be better off in the long run if, as the basis for any property tax reform, it reappraised each property individually so as to eliminate unwanted disparities in assessment ratios.

No single policy option deals well with all the problems posed by property tax reform. Therefore, the city should consider a combination of programs—e.g., adopt a small number of classes to eliminate the most dramatic and potentially most harmful inter-class shifts plus adopt one or more of the other programs to lessen the problems created by the remaining intra-class shifts.

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ASSUMPTIONS

In order to evaluate ways for New York City to avoid or minimize the administrative and economic problems involved in moving to such a tax system, it is necessary to know the present distribution of tax liabilities. Therefore, this report begins with an analysis of the present state of New York City's assessment rolls. Data on property sales made over the course of the year ending June 30, 1978 are used to ascertain the level and range of effective tax rates on the different types of property in the City. (The study is actually done in terms of assessment ratios which are computed by dividing a property's assessed value by its market value and which, once multiplied by the statutory tax rate, gives the effective tax rate).

The basic source of the data used in this study is a confidential file compiled by the New York Department of Finance of all the property sales in New York City during FY'78. Information provided on each sale includes not only the selling price but the type of the structure, if there is one on the property, and the location. The classification of building-type consists of major building types designated by the letters A (used by single-family house) through Z (used for miscellaneous buildings not elsewhere classified). The Analysis primarily focuses on 15 major categories with large amounts of taxable property.
Table 1
Relative Effective Property Tax Rates

<table>
<thead>
<tr>
<th></th>
<th>Manhattan</th>
<th>Bronx</th>
<th>Brooklyn</th>
<th>Queens</th>
<th>Staten Island</th>
<th>City-wide Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family Houses</td>
<td>0.81</td>
<td>0.58</td>
<td>0.47</td>
<td>0.43</td>
<td>0.52</td>
<td>0.47</td>
</tr>
<tr>
<td>Two Family Houses</td>
<td>0.81</td>
<td>0.65</td>
<td>0.57</td>
<td>0.53</td>
<td>0.60</td>
<td>0.57</td>
</tr>
<tr>
<td>Walk-Up Houses</td>
<td>1.09</td>
<td>1.28</td>
<td>0.88</td>
<td>0.70</td>
<td>1.15</td>
<td>0.94</td>
</tr>
<tr>
<td>Elevator Apartments</td>
<td>1.38</td>
<td>1.80</td>
<td>1.52</td>
<td>1.56</td>
<td>1.45</td>
<td>1.47</td>
</tr>
<tr>
<td>Warehouses</td>
<td>1.30</td>
<td>1.74</td>
<td>1.17</td>
<td>1.58</td>
<td>0.89</td>
<td>1.40</td>
</tr>
<tr>
<td>Factories</td>
<td>1.56</td>
<td>1.54</td>
<td>1.26</td>
<td>1.28</td>
<td>0.69</td>
<td>1.29</td>
</tr>
<tr>
<td>Garages</td>
<td>1.51</td>
<td>1.11</td>
<td>1.09</td>
<td>1.01</td>
<td>0.54</td>
<td>1.16</td>
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<td>Hotels</td>
<td>1.73</td>
<td>1.44</td>
<td>1.06</td>
<td>1.21</td>
<td>0.47</td>
<td>1.65</td>
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<tr>
<td>Theatres</td>
<td>1.12</td>
<td>1.82</td>
<td>1.02</td>
<td>1.80</td>
<td>1.67</td>
<td>1.18</td>
</tr>
<tr>
<td>Store Buildings</td>
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<td>2.00</td>
<td>1.34</td>
<td>1.26</td>
<td>0.98</td>
<td>1.35</td>
</tr>
<tr>
<td>Loft Buildings</td>
<td>1.38</td>
<td>1.58</td>
<td>1.51</td>
<td>2.76</td>
<td>1.44</td>
<td>1.39</td>
</tr>
<tr>
<td>Office Buildings</td>
<td>1.66</td>
<td>1.82</td>
<td>1.27</td>
<td>1.52</td>
<td>0.82</td>
<td>1.64</td>
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<tr>
<td>Condominiums</td>
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<td>0.65</td>
<td>0.38</td>
<td>0.78</td>
<td>0.45</td>
<td>0.68</td>
</tr>
<tr>
<td>Vacant Land</td>
<td>0.94</td>
<td>0.39</td>
<td>0.44</td>
<td>0.34</td>
<td>0.45</td>
<td>0.47</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1.26</td>
<td>0.73</td>
<td>0.66</td>
<td>1.11</td>
<td>0.63</td>
<td>0.88</td>
</tr>
<tr>
<td>Borough-wide Average</td>
<td>1.44</td>
<td>1.04</td>
<td>0.80</td>
<td>0.72</td>
<td>0.60</td>
<td>1.00</td>
</tr>
<tr>
<td>(Controlling for property mix) 1.22</td>
<td>1.16</td>
<td>0.93</td>
<td>0.93</td>
<td></td>
<td>0.83</td>
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</table>

Source: Federal Reserve Bank of New York from data furnished by the NYC Department of Finance.
In the following cases, the range of assessment ratios allowed for the properties retained in the sample was extended beyond the bounds of 0.1 and 2.0 as indicated:

**Manhattan**  
- Hotels  
  - Upper bound raised to 2.4.
- Lofts  
  - "  
  - 2.8.

**Bronx**  
- Garages  
  - Range extended down to .01 and up to 2.6.
- Stores  
  - Upper bound raised to 3.5
- Vacant Land  
  - Range extended down to .01 and up to 2.6.
- Miscellaneous  
  - Lower bound dropped to 0.2.

**Brooklyn**  
- Garages  
  - Lower bound dropped to .02.
- Vacant Land  
  - "  
  - .01.
- Miscellaneous  
  - "  
  - .01.

**Queens**  
- Garages  
  - Lower bound dropped to .01.
- Vacant Land  
  - "  
  - .01.

**Staten Island**  
- Factories  
  - Lower bound dropped to .03.
- Garages  
  - "  
  - .01.
- Vacant Land  
  - "  
  - .01.

**Since there were no observations in these cells, the most recent ratios computed by the Management Information Service Department of City Planning were used as indicated:**

**Bronx**  
- Hotels  
  - From the 1974-75 study.

**Staten Island**  
- Theatres  
  - From the 1976-77 study.
- Lofts  
  - "  
  - 1976-77 "

**Since the restriction on partially tax exempt property eliminated all the observations, it was not applied in this one case.**

**Note:** The average assessment ratio for each property type is computed by dividing the aggregate assessed value of all sales of such properties retained in the sample by the total of their sale prices.
<table>
<thead>
<tr>
<th></th>
<th>Manhattan</th>
<th>Bronx</th>
<th>Brooklyn</th>
<th>Queens</th>
<th>Staten Island</th>
<th>City-Wide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family Houses</td>
<td>0.80%</td>
<td>10.34%</td>
<td>11.04%</td>
<td>22.93%</td>
<td>40.96%</td>
<td>9.72%</td>
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<tr>
<td>Two Family Houses</td>
<td>0.43%</td>
<td>14.00%</td>
<td>22.99%</td>
<td>17.20%</td>
<td>19.94%</td>
<td>9.85%</td>
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<tr>
<td>Walk-Up Apartments</td>
<td>8.05%</td>
<td>16.43%</td>
<td>18.81%</td>
<td>10.39%</td>
<td>3.16%</td>
<td>10.93%</td>
</tr>
<tr>
<td>Elevator Apartments</td>
<td>24.74%</td>
<td>29.10%</td>
<td>18.87%</td>
<td>21.41%</td>
<td>4.47%</td>
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<td>0.99%</td>
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<tr>
<td>Factories</td>
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<td>7.15%</td>
<td>2.62%</td>
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<td>1.95%</td>
<td>1.32%</td>
<td>1.89%</td>
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<td>Hotels</td>
<td>3.96%</td>
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<td>0.25%</td>
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<td>0.07%</td>
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<td>Store Buildings</td>
<td>3.23%</td>
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<td>7.15%</td>
<td>9.07%</td>
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<td>Loft Buildings</td>
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<td>0.96%</td>
<td>0.11%</td>
<td>0.02%</td>
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<tr>
<td>Office Buildings</td>
<td>44.18%</td>
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<td>2.65%</td>
<td>2.28%</td>
<td>1.70%</td>
<td>22.77%</td>
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<tr>
<td>Condominiums</td>
<td>0.28%</td>
<td>0.66%</td>
<td>0.00*</td>
<td>0.28%</td>
<td>0.00*</td>
<td>0.25%</td>
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<tr>
<td>Vacant Land</td>
<td>0.69%</td>
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<td>8.52%</td>
<td>1.38%</td>
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<tr>
<td>Miscellaneous</td>
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<td>5.39%</td>
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<td>3.82%</td>
<td>6.96%</td>
<td>3.23%</td>
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</table>

Note: Columns may not add to 100.0 due to rounding.

* Less than .005%.
Table 3

A Standardized Set of Average Assessment Ratios by Borough
(Computed using City-Wide Distribution of Property Types)

<table>
<thead>
<tr>
<th>Borough</th>
<th>Ratio</th>
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<tbody>
<tr>
<td>Manhattan</td>
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<tr>
<td>Bronx</td>
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<td>Brooklyn</td>
<td>0.441</td>
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<td>Queens</td>
<td>0.442</td>
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<td>Staten Island</td>
<td>0.391</td>
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<tr>
<td>Building Type</td>
<td>Manhattan</td>
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<tr>
<td>-------------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Single Family Houses</td>
<td>.35</td>
</tr>
<tr>
<td>Two-Family Houses</td>
<td>.35</td>
</tr>
<tr>
<td>Walk-up Apartments</td>
<td>.40</td>
</tr>
<tr>
<td>Elevator Apartments</td>
<td>.30</td>
</tr>
<tr>
<td>Warehouses</td>
<td>.46</td>
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<tr>
<td>Factories</td>
<td>.47</td>
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<td>Garages</td>
<td>.30</td>
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<td>Hotels</td>
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<td>Theatres</td>
<td>.38</td>
</tr>
<tr>
<td>Stores</td>
<td>.34</td>
</tr>
<tr>
<td>Lofts</td>
<td>.45</td>
</tr>
<tr>
<td>Office Buildings</td>
<td>.37</td>
</tr>
<tr>
<td>Condominiums</td>
<td>.23</td>
</tr>
<tr>
<td>Vacant Land</td>
<td>.55</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>.46</td>
</tr>
</tbody>
</table>

* No coefficients of dispersion shown because of only three or fewer observations.

Source: Federal Reserve Bank of New York and New York City Department of Finance
<table>
<thead>
<tr>
<th></th>
<th>Manhattan</th>
<th>Bronx</th>
<th>Brooklyn</th>
<th>Queens</th>
<th>Staten Island</th>
<th>Average</th>
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<tr>
<td>Single Family Houses</td>
<td>23.1%</td>
<td>-</td>
<td>113.9%</td>
<td>130.6%</td>
<td>92.9%</td>
<td>111.2%</td>
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<tr>
<td>Two Family Houses</td>
<td>23.1</td>
<td>55.0</td>
<td>75.7</td>
<td>89.1</td>
<td>67.6</td>
<td>76.4</td>
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<tr>
<td>Walk-Up Apartments</td>
<td>-8.2</td>
<td>-21.7</td>
<td>13.1</td>
<td>42.4</td>
<td>-13.0</td>
<td>6.5</td>
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<td>Elevator Apartments</td>
<td>-27.6</td>
<td>-44.5</td>
<td>-34.4</td>
<td>-36.0</td>
<td>-30.9</td>
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<td>-25.6</td>
<td>-20.6</td>
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<td>-25.8</td>
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<tr>
<td>Loft Buildings</td>
<td>-27.6</td>
<td>-36.6</td>
<td>-33.6</td>
<td>-63.8</td>
<td>-30.5</td>
<td>-28.1</td>
</tr>
<tr>
<td>Office Buildings</td>
<td>-39.6</td>
<td>-44.9</td>
<td>-21.2</td>
<td>-34.2</td>
<td>21.8</td>
<td>-39.0</td>
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<tr>
<td>Condominiums</td>
<td>50.1</td>
<td>55.0</td>
<td>165.5</td>
<td>28.8</td>
<td>119.8</td>
<td>46.3</td>
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<tr>
<td>Vacant Land</td>
<td>6.5</td>
<td>155.5</td>
<td>125.1</td>
<td>195.4</td>
<td>121.9</td>
<td>114.5</td>
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<tr>
<td>Miscellaneous</td>
<td>-20.8</td>
<td>36.2</td>
<td>52.5</td>
<td>-10.0</td>
<td>58.1</td>
<td>13.1</td>
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<tr>
<td>Average</td>
<td>-30.7</td>
<td>-4.0</td>
<td>24.9</td>
<td>39.1</td>
<td>67.4</td>
<td>0.0</td>
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</tbody>
</table>

**Note:** Assumes no change in total tax collections. Estimates based on assessment ratios in Table 2.
THE NEW YORK TAX STRUCTURE AND ECONOMY: AN ECONOMETRIC ANALYSIS

Prepared by: NY University Graduate School of Public Administration

A Summary

INTRODUCTION

This study addresses two fundamental issues relating to City tax revenues and the economy: (1) how responsive specific tax revenues are to changes in the City's economic conditions; and (2) how responsive employment and output are to changes in tax rates.

FINDINGS

• Tax Forecasting Equations yielded the following results:
  • Personal Income Tax and Unincorporated Income Tax (together)

Every 1% increase (decrease) in total City output adds (subtracts) $7.5 million to City revenues from the personal Income Tax and the Unincorporated Income Tax.

Every one percentage point increase in the region's consumer price index adds $4.2 million to City's revenues from these two taxes.

Revenues from the Personal Income Tax and Unincorporated Income Tax are more sensitive to inflation than to growth in real City output. In the coming years, it is unlikely that total City output will grow any more than 2% in any one year so that in the best of growth situations, a 2% rise in output would be expected to generate about $15 million in additional revenues.

With inflation of 8% to 11% per year (adding 14 to 20 percentage points to the CPI), the estimated impact on revenues would be to add $59 million to $84 million.

• Sales Tax

The sales tax variable in the equation to forecast sales tax revenues was "statistically insignificant." Thus the equation should not be used to estimate the effect of any change in the sales tax rate on tax collections.
The inflation variable in the equation is highly significant. Every one percentage point rise in the CPI adds $5.35 million to City sales tax revenues.

**General Corporation Tax**

In the model developed by Drennan, GCT revenues are positively related to a simple time trend, and U.S. corporate profits adjusted to reflect the City's industrial mix.

For every billion dollar increase in adjusted U.S. corporate profits, City revenues from the GCT goes up by two million dollars.

**Tax Revenue Projections, 1979-1983**

Tax revenue projections are presented in the following table. A range is shown for each revenue projection. The middle projections indicate growth in personal income and unincorporated business tax revenues and utility tax revenues faster than the expected rate of inflation over the 1978-83 period (8.9% per year). Sales tax revenues are projected to expand 9.1%, about in line with inflation. General Corporation Tax revenues are expected to grow much slower than inflation and Financial Corporation Tax revenues are projected at almost no change, 1978-83.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>$ 789</td>
<td>$ 931</td>
<td>$ 467</td>
<td>$136</td>
<td>$109</td>
<td>$2,432</td>
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</table>

**Projections**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1979 L</td>
<td>866</td>
<td>1,023</td>
<td>481</td>
<td>109</td>
<td>122</td>
<td>2,601</td>
</tr>
<tr>
<td>M</td>
<td>894</td>
<td>1,039</td>
<td>499</td>
<td>136</td>
<td>126</td>
<td>2,694</td>
</tr>
<tr>
<td>H</td>
<td>922</td>
<td>1,055</td>
<td>517</td>
<td>163</td>
<td>130</td>
<td>2,787</td>
</tr>
<tr>
<td>1980 L</td>
<td>955</td>
<td>1,130</td>
<td>489</td>
<td>106</td>
<td>140</td>
<td>2,820</td>
</tr>
<tr>
<td>M</td>
<td>983</td>
<td>1,146</td>
<td>507</td>
<td>133</td>
<td>144</td>
<td>2,913</td>
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<tr>
<td>H</td>
<td>1,011</td>
<td>1,162</td>
<td>525</td>
<td>160</td>
<td>148</td>
<td>3,006</td>
</tr>
<tr>
<td>1981 L</td>
<td>1,056</td>
<td>1,230</td>
<td>540</td>
<td>103</td>
<td>155</td>
<td>3,085</td>
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<tr>
<td>M</td>
<td>1,084</td>
<td>1,246</td>
<td>558</td>
<td>130</td>
<td>160</td>
<td>3,178</td>
</tr>
<tr>
<td>H</td>
<td>1,112</td>
<td>1,262</td>
<td>576</td>
<td>157</td>
<td>164</td>
<td>3,271</td>
</tr>
<tr>
<td>1982 L</td>
<td>1,155</td>
<td>1,326</td>
<td>583</td>
<td>103</td>
<td>171</td>
<td>3,338</td>
</tr>
<tr>
<td>M</td>
<td>1,183</td>
<td>1,342</td>
<td>601</td>
<td>130</td>
<td>175</td>
<td>3,431</td>
</tr>
<tr>
<td>H</td>
<td>1,211</td>
<td>1,358</td>
<td>619</td>
<td>157</td>
<td>179</td>
<td>3,524</td>
</tr>
<tr>
<td>1983 L</td>
<td>1,251</td>
<td>1,420</td>
<td>630</td>
<td>100</td>
<td>185</td>
<td>3,586</td>
</tr>
<tr>
<td>M</td>
<td>1,279</td>
<td>1,436</td>
<td>648</td>
<td>127</td>
<td>189</td>
<td>3,679</td>
</tr>
<tr>
<td>H</td>
<td>1,307</td>
<td>1,452</td>
<td>666</td>
<td>154</td>
<td>193</td>
<td>3,772</td>
</tr>
</tbody>
</table>

A-64
Estimated Employment, Output, and Revenue effects of tax rate changes:

2 cases

(1) What happens to employment, output and revenue when there is a two percentage point change in the General Corporate Tax rate.

<table>
<thead>
<tr>
<th>Hypothetical Change in Genl. Corp. Tax Rate</th>
<th>Est. Change in Total City Output (Millions 1972 $)</th>
<th>Est. Change in City Employment</th>
<th>Net Revenue Effect (Millions 1972 $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- 2.0 pts.</td>
<td>+ 269.5</td>
<td>+ 20,078 + 19,706</td>
<td>- $61.3 - $67.9</td>
</tr>
<tr>
<td>+ 2.0 pts.</td>
<td>- 269.5</td>
<td>- 20,078 - 19,706</td>
<td>+ 61.3 + 67.9</td>
</tr>
</tbody>
</table>

Explanation: If the General Corporate Tax Rate was reduced from 9 percent to 7 percent in 1980, the net effect would be a $269.5 million increase in total City output (in 1972 constant dollars) an increase of 20,078 jobs and a decrease of $61.3 million in net revenue.

If the General Corporate Tax Rate was increased from 9 percent to 11 percent in 1980 the net effect would be a decline of $269.5 million in total City output, a decrease of 20,078 jobs and an increase of $61.3 million in net revenue.

(2) What happens to employment, output and revenue when there is a 1 percentage point change in the Financial Corporation Tax rate. (It should be noted that this simulation is presented by the author of the study "with some misgivings."

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- 1.0 pt.</td>
<td>+ 54.4</td>
<td>+ 3,800</td>
<td>- $8.5</td>
</tr>
<tr>
<td>+ 1.0 pt.</td>
<td>- 54.5</td>
<td>- 3,800</td>
<td>+ 8.5</td>
</tr>
</tbody>
</table>

A-65
Explanations: If the Financial Corporate Tax Rate was reduced from 13.8 percent to 12.8 percent in 1980, the net effect would be an increase of $54.4 million in banking output, an increase of 3,800 jobs in banking employment and a decrease of $8.5 million in net revenue.

If the Financial Corporate Tax Rate was increased from 13.8 percent to 14.8 percent in 1980, the net effect would be a decline of $54.5 million in banking output adjusted for inflation, a decline of 3,800 jobs in banking employment and an increase of $8.5 million in net revenue.

ASSUMPTION AND METHODOLOGY

Using a historical database on output and employment in 54 different industries in New York City, the author (1) formulated a series of equations which link tax revenues to output and employment in these industries; (2) projected tax revenues from selected City taxes; (3) estimated the sensitivity of City output and employment to tax changes, by specific industry; and (4) estimated employment and revenue impact of changes in the General Corporation and Financial Corporation tax rates. The taxes included for analysis in this study are:

General Sales Tax
Personal Income Tax
Unincorporated Business Tax
Financial Corporation Tax
Utility Tax

In FY 1979, these 5 taxes accounted for about $2.719 million in revenues or 43% of total tax collections. The only major tax not included in this study is the property tax which is currently under review by Dick Netzer of New York University. In addition, Mark Willis of N.Y. Federal Reserve Bank has prepared a study on the property tax under aegis of the Business Tax Task Force which is summarized in another section of this appendix.
SECTION B
TAX RATES AND BASES
BY STATE AND FOR
SELECTED CITIES
<table>
<thead>
<tr>
<th>TAX</th>
<th>PAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Corporation Tax</td>
<td>B1-8</td>
</tr>
<tr>
<td>Financial Corporation Tax</td>
<td>B9-17</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>B18-32</td>
</tr>
<tr>
<td>Personal Income Tax</td>
<td>B33-43</td>
</tr>
<tr>
<td>Property Tax</td>
<td>B44-48</td>
</tr>
</tbody>
</table>
GENERAL CORPORATION TAXES

By State, 1979
<table>
<thead>
<tr>
<th>STATE/CITY</th>
<th>RATE*</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York State</td>
<td>10.0%</td>
</tr>
<tr>
<td>New York City</td>
<td>9.0%</td>
</tr>
<tr>
<td>Alabama</td>
<td>5.0%</td>
</tr>
<tr>
<td>Alaska</td>
<td>5.4%*</td>
</tr>
<tr>
<td>Arizona</td>
<td>2.5%–10.5%</td>
</tr>
<tr>
<td>Arkansas</td>
<td>1.0%–6.0%</td>
</tr>
<tr>
<td>California</td>
<td>9.6%</td>
</tr>
<tr>
<td>Colorado</td>
<td>5.0%</td>
</tr>
<tr>
<td>Connecticut</td>
<td>10.0%</td>
</tr>
<tr>
<td>Delaware</td>
<td>8.7%</td>
</tr>
<tr>
<td>Florida</td>
<td>5.0%</td>
</tr>
<tr>
<td>Georgia</td>
<td>6.0%</td>
</tr>
<tr>
<td>Hawaii</td>
<td>5.85%–6.435%</td>
</tr>
<tr>
<td>Idaho</td>
<td>6.5%</td>
</tr>
<tr>
<td>Illinois</td>
<td>4.0%</td>
</tr>
<tr>
<td>Indiana</td>
<td>6.0%</td>
</tr>
<tr>
<td>Iowa</td>
<td>6.0%–10.0%</td>
</tr>
<tr>
<td>Kansas</td>
<td>4.5%*</td>
</tr>
<tr>
<td>Kentucky</td>
<td>4.0%–5.8%</td>
</tr>
<tr>
<td>Louisville</td>
<td>2.2%</td>
</tr>
<tr>
<td>Louisiana</td>
<td>4.0%–8.0%</td>
</tr>
<tr>
<td>Maine</td>
<td>4.95%–6.93%</td>
</tr>
<tr>
<td>Maryland</td>
<td>7.0%</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>8.33%*</td>
</tr>
<tr>
<td>Michigan</td>
<td>2.35%</td>
</tr>
<tr>
<td>Flint</td>
<td>1.0%</td>
</tr>
<tr>
<td>Detroit</td>
<td>2.0%</td>
</tr>
<tr>
<td>Grand Rapids</td>
<td>1.0%</td>
</tr>
<tr>
<td>Lansing</td>
<td>1.0%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>12.0%</td>
</tr>
<tr>
<td>Mississippi</td>
<td>3.0%–4.0%</td>
</tr>
<tr>
<td>Missouri</td>
<td>5.0%</td>
</tr>
<tr>
<td>Kansas City</td>
<td>1.0%</td>
</tr>
<tr>
<td>St. Louis</td>
<td>1.0%</td>
</tr>
<tr>
<td>Montana</td>
<td>6.75%</td>
</tr>
<tr>
<td>Nebraska</td>
<td>4.75%–4.95%</td>
</tr>
<tr>
<td>Nevada</td>
<td>-</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>8.0%</td>
</tr>
<tr>
<td>New Jersey</td>
<td>7.5%</td>
</tr>
<tr>
<td>New Mexico</td>
<td>5.0%</td>
</tr>
<tr>
<td>North Carolina</td>
<td>6.0%</td>
</tr>
<tr>
<td>North Dakota</td>
<td>3.0%–8.5%</td>
</tr>
<tr>
<td>STATE/CITY</td>
<td>RATE*</td>
</tr>
<tr>
<td>----------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Ohio</td>
<td>4.0-8.0%</td>
</tr>
<tr>
<td>Akron</td>
<td>1.5%</td>
</tr>
<tr>
<td>Cincinnati</td>
<td>2.0%</td>
</tr>
<tr>
<td>Cleveland</td>
<td>1.5%</td>
</tr>
<tr>
<td>Columbus</td>
<td>1.5%</td>
</tr>
<tr>
<td>Dayton</td>
<td>1.75%</td>
</tr>
<tr>
<td>Toledo</td>
<td>1.5%</td>
</tr>
<tr>
<td>Youngstown</td>
<td>1.5%</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>4.0%</td>
</tr>
<tr>
<td>Oregon</td>
<td>7.5%</td>
</tr>
<tr>
<td>Portland</td>
<td>0.6%</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>10.5%</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>8.0%</td>
</tr>
<tr>
<td>South Carolina</td>
<td>6.0%</td>
</tr>
<tr>
<td>South Dakota</td>
<td>-</td>
</tr>
<tr>
<td>Tennessee</td>
<td>6.0%</td>
</tr>
<tr>
<td>Texas</td>
<td>-</td>
</tr>
<tr>
<td>Utah</td>
<td>4.0%</td>
</tr>
<tr>
<td>Vermont</td>
<td>5.0-7.5%</td>
</tr>
<tr>
<td>Virginia</td>
<td>6.0%</td>
</tr>
<tr>
<td>Washington</td>
<td>-</td>
</tr>
<tr>
<td>West Virginia</td>
<td>6.0%</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>2.3-7.9%</td>
</tr>
<tr>
<td>Wyoming</td>
<td>-</td>
</tr>
</tbody>
</table>

*/ Base rate only; does not include surtax.

Source: State Tax Handbook, 1979 (Commerce Clearing House)

B-1(a)
<table>
<thead>
<tr>
<th>State</th>
<th>Type of Tax</th>
<th>Rate/Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York State*</td>
<td>Corporate Franchise</td>
<td>10% on all or an allocation of the entire net income; or $250 or 1.78 mills on each dollar of business and investment capital allocated to New York; or 10% on an allocated income and salaries base (whichever of the above is the largest) plus .9 mill on each dollar of allocated subsidiary capital.</td>
</tr>
<tr>
<td>New York City*</td>
<td>Corporate Income Tax</td>
<td>9% on all or an allocation of the entire net income; or 1½ mills on each dollar of business and investment; or 9% on allocated net income and salaries base (whichever of the above is the largest) plus 3/4 mill on each dollar of allocated subsidiary capital.</td>
</tr>
</tbody>
</table>

* Federal income used as Tax Base
<table>
<thead>
<tr>
<th>State</th>
<th>Type of Tax</th>
<th>Rate/Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama +</td>
<td>Corporate Income Tax</td>
<td>5% of taxable net income</td>
</tr>
<tr>
<td>Alaska *</td>
<td>Corporate Income and a Surtax</td>
<td>5.4% of taxable income plus a surtax of 4% taxable income</td>
</tr>
<tr>
<td>Arizona ++</td>
<td>Corporate Income</td>
<td>Rates range from 2-1/2% on first $1,000 of taxable income to 10-1/2% on income over $6,000</td>
</tr>
<tr>
<td>Arkansas</td>
<td>Corporate Income</td>
<td>Rates range from 1% on first $3,000 of taxable income to 6% on income over $25,000</td>
</tr>
<tr>
<td>California</td>
<td>Corporate Income</td>
<td>9.6% of California net income</td>
</tr>
<tr>
<td>Colorado *</td>
<td>Corporate Income</td>
<td>5% of federal taxable income with adjustments</td>
</tr>
<tr>
<td>Connecticut *</td>
<td>Corporate Income</td>
<td>10% of net income plus to the extent it exceeds the tax on net income 31/100 of 1 mill per dollar of asset value</td>
</tr>
<tr>
<td>Delaware *</td>
<td>Corporate Income</td>
<td>8.7% of federal taxable income with modifications</td>
</tr>
<tr>
<td>Florida *</td>
<td>Corporate Franchise (income) tax</td>
<td>5% of federal taxable income apportioned to Florida with adjustments. $5,000 of net income is exempt</td>
</tr>
<tr>
<td>Georgia *</td>
<td>Corporate Income</td>
<td>6% of federal taxable income with adjustments</td>
</tr>
<tr>
<td>Hawaii *</td>
<td>Corporate Income</td>
<td>5.85% of the first $25,000, over $25,000, 6.435%; capital gains, 3.08%</td>
</tr>
</tbody>
</table>

*Federal income tax deductible
*Federal income used as State tax base
<table>
<thead>
<tr>
<th>State</th>
<th>Type of Tax</th>
<th>Rate/Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illinois *</td>
<td>Corporate Income</td>
<td>4.0% of net income with adjustments plus additional 2.5% of net income</td>
</tr>
<tr>
<td>Indiana *</td>
<td>Corporate Income</td>
<td>3% of corporation Federal taxable income with adjustments plus a 3% supplemental net income.</td>
</tr>
<tr>
<td>Iowa **</td>
<td>Corporate Income</td>
<td>First $25,000 of taxable net income, 6%; next $75,000, 8%, $100,000 or more, 10%</td>
</tr>
<tr>
<td>Kansas *</td>
<td>Corporate Income Tax</td>
<td>4.5% of federal taxable income with adjustments plus a 2.25% surtax on taxable income over $25,000. Domestic life, fire and casualty, hail and county mutual insurers are subject to 5% tax on net income.</td>
</tr>
<tr>
<td>Kansas *</td>
<td>Surtax</td>
<td></td>
</tr>
<tr>
<td>Kentucky *</td>
<td>Corporate Income</td>
<td>4% of first $25,000 of taxable net income allocated to Kentucky and 5.8% of excess</td>
</tr>
<tr>
<td>Louisiana</td>
<td>Corporate Income</td>
<td>Rates range from 4% of first $25,000 of net income to 8% of net income in excess of $200,000</td>
</tr>
<tr>
<td>Maine *</td>
<td>Corporate Income</td>
<td>4.95% of taxable income not over $25,000 plus 6.93% of taxable income over $25,000</td>
</tr>
<tr>
<td>Maryland *</td>
<td>Corporate Income</td>
<td>7.0% of net income allowable to the State</td>
</tr>
</tbody>
</table>

* Federal income tax deductible
* Federal income used as State tax base
<table>
<thead>
<tr>
<th>State</th>
<th>Type of Tax</th>
<th>Rate/Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massachusetts</td>
<td>Corporate Excise Surtax</td>
<td>$2.60 per $1000 of value of Massachusetts tangible property not taxed locally or net worth allocated to Massachusetts plus 8.33% of net income plus 14% surtax or if larger $200 plus 14% surtax. Interstate corporations, 5% on that portion of net income earned from Massachusetts business</td>
</tr>
<tr>
<td>Michigan</td>
<td>Corporate Income</td>
<td>2.35% of federal taxable income with adjustments allocated or apportioned to Michigan</td>
</tr>
<tr>
<td>Minnesota</td>
<td>Corporate Income</td>
<td>12% of Minnesota net income</td>
</tr>
<tr>
<td>Mississippi</td>
<td>Corporate Income</td>
<td>3% of first $5000 of entire net income 4% of amounts over $5000</td>
</tr>
<tr>
<td>Missouri</td>
<td>Corporate Income</td>
<td>5% of federal taxable income with adjustments</td>
</tr>
<tr>
<td></td>
<td>Gross Sales</td>
<td></td>
</tr>
<tr>
<td>Montana</td>
<td>Corporate Income or Gross</td>
<td>6-3/4% of federal gross income with State deductions and adjustment. Qualified corporations may elect to pay an alternative tax of 1/2% of gross sales in Montana during the year</td>
</tr>
<tr>
<td></td>
<td>Sales</td>
<td></td>
</tr>
<tr>
<td>Nebraska</td>
<td>Corporate Income or Corporate Franchise</td>
<td>4.5% of first $25000 of taxable income and 4.95% of taxable income over $25000. Corporations doing intrastate business pay a franchise tax measured by net income; others pay a direct income tax. Qualified tax payers may pay alternative tax equal to corporate rate times business income times gross sales in or into Nebraska divided by gross sales.</td>
</tr>
</tbody>
</table>

† Federal income tax deductible
* Federal income used as State tax base
<table>
<thead>
<tr>
<th>State</th>
<th>Type of Tax</th>
<th>Rate/Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nevada</td>
<td>No Corporate Income Tax</td>
<td></td>
</tr>
<tr>
<td>New Hampshire</td>
<td>Corporate Income Tax</td>
<td>8% of federal gross business profits allocated to New Hampshire</td>
</tr>
<tr>
<td>New Jersey</td>
<td>Corporate Franchise (including net worth and Income Tax)</td>
<td>7½% of allocated net income plus additional mill levy on allocated net worth. A 7½% direct income tax is imposed on entire net income of corporations not subject to the business income tax</td>
</tr>
<tr>
<td>New Mexico</td>
<td>Corporate Income Tax or Gross Receipts</td>
<td>5% of entire net income within New Mexico. Qualified taxpayers may pay alternative tax of 3/4% of gross receipts from New Mexico sales</td>
</tr>
<tr>
<td>North Carolina</td>
<td>Corporate Income Tax</td>
<td>6% of federal taxable income with adjustments</td>
</tr>
<tr>
<td>North Dakota</td>
<td>Corporate Income</td>
<td>Rates range from 3% on the first $3000 of taxable income to 8½% on income over $25,000 plus 1% tax on net income over $2000</td>
</tr>
<tr>
<td>Ohio</td>
<td>Corporate Franchise (income tax)</td>
<td>4% of first $25,000 of value of issued and outstanding stock determined according to net income plus 8% of the value so determined over $25,000, or 5 mills times the value of issued and outstanding stock determined according to total value of capital, surplus, undivided profits and reserves whichever is greater</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>Corporate Income</td>
<td>4% of federal taxable income with adjustments</td>
</tr>
</tbody>
</table>

* Federal income tax deductible tax base
## CORPORATE TAXES ON GENERAL CORPORATIONS, BY STATE, 1979

<table>
<thead>
<tr>
<th>State</th>
<th>Type of Tax</th>
<th>Rate/Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oregon</td>
<td>Corporate Excise (income tax)</td>
<td>7½% of the net income from business done within the state. Qualified taxpayers may elect to pay alternative tax of ½% or 1/8% of gross sales in Oregon. 7½% of income of domestic corporations engaged in interstate or export business and income of foreign corporations.</td>
</tr>
<tr>
<td>Pennsylvania *</td>
<td>Corporate Income</td>
<td>10½% of taxable income as reported on federal return with certain additions and deductions allocated to Pennsylvania. A tax at the same rate is imposed on direct taxable income of corporations derived from Pennsylvania sources.</td>
</tr>
<tr>
<td>Rhode Island *</td>
<td>Corporate Income or Net Worth</td>
<td>8% of net income or 40¢ per $100 of net worth (whichever is higher)</td>
</tr>
<tr>
<td>South Carolina</td>
<td>Corporate Income</td>
<td>6% of South Carolina net income</td>
</tr>
<tr>
<td>South Dakota</td>
<td>No Corporate Income Tax</td>
<td></td>
</tr>
<tr>
<td>Tennessee *</td>
<td>Corporate Excise Tax Surtax</td>
<td>6% of net earnings from business done by corporations doing business in the state. Surtax of 1½% of gross profits or income for the year.</td>
</tr>
<tr>
<td>Texas</td>
<td>Corporate Franchise</td>
<td>$4.25 per $1000 stated capital surplus and undivided profits allocated to gross receipts from intra state business.</td>
</tr>
</tbody>
</table>

* Federal income used as State tax base
## CORPORATE TAXES ON GENERAL CORPORATIONS, BY STATE, 1979

<table>
<thead>
<tr>
<th>State</th>
<th>Type of Tax</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Utah</td>
<td>Corporate Franchise</td>
<td>4% of net income or $25. Qualified taxpayers may elect to pay alternative tax of 2% of gross receipt from Utah sales.</td>
</tr>
<tr>
<td>Vermont *</td>
<td>Corporate Income Tax</td>
<td>5% on the first $10,000 of federal taxable income, 6% on the next $15,000, 7% on the next $225,000 and 7.5% on federal taxable income over $250,000</td>
</tr>
<tr>
<td>Virginia *</td>
<td>Corporate Income Tax</td>
<td>6% of net income from Virginia sources</td>
</tr>
<tr>
<td>Washington</td>
<td>No Corporate Income Tax</td>
<td></td>
</tr>
<tr>
<td>West Virginia</td>
<td>Corporate Income</td>
<td>6% of federal taxable income with adjustments</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>Corporate Income</td>
<td>Rates range from 2.3% on first $1000 of taxable income to 7.9% on income over $6,000</td>
</tr>
<tr>
<td>Wyoming</td>
<td>No Corporate Income Tax</td>
<td></td>
</tr>
</tbody>
</table>

Source: *State Tax Handbook, 1979, (Commerce Clearing House)*

* Federal income used as State Tax Base
FINANCIAL CORPORATE TAXES

By State, 1979
<table>
<thead>
<tr>
<th>STATE</th>
<th>RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York State</td>
<td>12.0%</td>
</tr>
<tr>
<td>New York City</td>
<td>13.823%</td>
</tr>
<tr>
<td>Alabama</td>
<td>6.0%</td>
</tr>
<tr>
<td>Alaska</td>
<td>7%</td>
</tr>
<tr>
<td>Arizona</td>
<td>2.5-10.5%</td>
</tr>
<tr>
<td>Arkansas</td>
<td>1.0-6.0%</td>
</tr>
<tr>
<td>California</td>
<td>13.0%</td>
</tr>
<tr>
<td>Colorado</td>
<td>5.0%</td>
</tr>
<tr>
<td>Connecticut</td>
<td>10.0%</td>
</tr>
<tr>
<td>Delaware</td>
<td>8.7%</td>
</tr>
<tr>
<td>Florida</td>
<td>5.0%</td>
</tr>
<tr>
<td>Georgia</td>
<td>(tax based on share capital)</td>
</tr>
<tr>
<td>Hawaii</td>
<td>11.7%</td>
</tr>
<tr>
<td>Idaho</td>
<td>6.5%</td>
</tr>
<tr>
<td>Illinois</td>
<td>4.0%</td>
</tr>
<tr>
<td>Indiana</td>
<td>3.0%</td>
</tr>
<tr>
<td>Iowa</td>
<td>5.0-8.0%</td>
</tr>
<tr>
<td>Kansas</td>
<td>5.0-7.25%</td>
</tr>
<tr>
<td>Kentucky</td>
<td>(tax based on share capital)</td>
</tr>
<tr>
<td>Louisiana</td>
<td>(tax based on share capital)</td>
</tr>
<tr>
<td>Maine</td>
<td>4.95-6.93%</td>
</tr>
<tr>
<td>Maryland</td>
<td>7.0%</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>12.54%</td>
</tr>
<tr>
<td>Michigan</td>
<td>2.35%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>12.0%</td>
</tr>
<tr>
<td>Mississippi</td>
<td>(tax based on share capital)</td>
</tr>
<tr>
<td>Missouri</td>
<td>7.0%</td>
</tr>
<tr>
<td>Montana</td>
<td>6.75%</td>
</tr>
<tr>
<td>Nebraska</td>
<td>4.5-4.95%</td>
</tr>
<tr>
<td>Nevada</td>
<td>no tax</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>8.0%</td>
</tr>
<tr>
<td>New Jersey</td>
<td>7.5%</td>
</tr>
<tr>
<td>New Mexico</td>
<td>6.0%</td>
</tr>
<tr>
<td>North Carolina</td>
<td>6.0%</td>
</tr>
<tr>
<td>North Dakota</td>
<td>7.0%</td>
</tr>
<tr>
<td>Ohio</td>
<td>(tax based on share capital)</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>4.0%</td>
</tr>
<tr>
<td>Oregon</td>
<td>7.5%</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>(tax based on share capital)</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>8.0%</td>
</tr>
<tr>
<td>South Carolina</td>
<td>4.5%</td>
</tr>
<tr>
<td>South Dakota</td>
<td>6.0%</td>
</tr>
<tr>
<td>Tennessee</td>
<td>6.0%</td>
</tr>
<tr>
<td>Texas</td>
<td>(tax based on share capital)</td>
</tr>
<tr>
<td>Utah</td>
<td>4.0%</td>
</tr>
<tr>
<td>Vermont</td>
<td>5.0-7.5%</td>
</tr>
<tr>
<td>Virginia</td>
<td>(tax based on share capital)</td>
</tr>
<tr>
<td>Washington</td>
<td>no tax</td>
</tr>
<tr>
<td>West Virginia</td>
<td>1.15% (on gross receipts)</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>2.3-7.9%</td>
</tr>
<tr>
<td>Wyoming</td>
<td>(tax based on share capital)</td>
</tr>
</tbody>
</table>

Source: State Tax Handbook, 1979, (Commerce Clearing House)
<table>
<thead>
<tr>
<th>State</th>
<th>Type of Tax</th>
<th>Rates</th>
<th>Base/Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York State</td>
<td>Excise tax measured by net income, capital and</td>
<td>For commercial banks: 12% of net allocated income or (if higher tax</td>
<td>Base: Modified federal income tax base; interest on governmental obligations</td>
</tr>
<tr>
<td></td>
<td>dividend/interest.</td>
<td>result) 1.6 mills on each dollar of apportioned issued capital stock;</td>
<td>taxable; own and other state taxes deductible.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>for S &amp; L's 12% on net allocated income, alternative tax (if higher</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>tax results) 2% of the amount of interest or dividends credited to</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>depositors or shareholders. Minimum tax $250.</td>
<td></td>
</tr>
<tr>
<td>New York City</td>
<td>Excise tax measured by net income, capital and</td>
<td>For commercial banks: 13.623% on net income allocation to NYC; or (if</td>
<td>Base: Modified federal income tax base; interest on governmental obligations</td>
</tr>
<tr>
<td></td>
<td>dividend/interest.</td>
<td>higher tax results) 2.6 mills on each dollar of apportioned issued</td>
<td>taxable; own and state taxes non-deductible.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>capital stock; for S &amp; L's 12.134% on net income allocated to NYC;</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>or (if higher tax results) 2.574% of the amount of interest or</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>dividends credited to depositors or shareholders. Minimum tax $250.</td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>Type of Tax</td>
<td>Rate</td>
<td>Base/Comments</td>
</tr>
<tr>
<td>-------------</td>
<td>--------------------------------------------</td>
<td>--------------------------</td>
<td>------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Alabama</td>
<td>Excise tax measured by net income</td>
<td>6 percent</td>
<td>Base: State defined base: Net taxable income which includes interest on all governmental obligations; federal income taxes paid or accrued are deductible.</td>
</tr>
<tr>
<td>Alaska</td>
<td>Excise tax measured by net income</td>
<td>7 percent</td>
<td>Base: Net income as defined under federal income tax; interest on all governmental obligations taxable, own and other state income taxes deductible.</td>
</tr>
<tr>
<td>Arizona</td>
<td>Direct net income tax</td>
<td>Rate graduated from 2.5 to 10.5 percent</td>
<td>Base: State defined base: Net income; interest on Federal and own governmental obligations is exempt; own and other state income taxes deductible.</td>
</tr>
<tr>
<td>Arkansas</td>
<td>Direct net income tax</td>
<td>Rate graduated from 1 to 6 percent</td>
<td>Base: Modified federal income tax base which includes interest on other state obligations only.</td>
</tr>
<tr>
<td>California</td>
<td>Excise tax measured by net income</td>
<td>Adjusted annually, maximum 13 percent</td>
<td>Base: Net income as defined by the state, interest on all governmental obligations taxable, income taxes not deductible.</td>
</tr>
<tr>
<td>Colorado</td>
<td>Direct net income tax</td>
<td>5 percent</td>
<td>Base: Modified federal income tax base; interest on federal obligations exempt; interest on own and other state obligations taxable unless exempt by special statute, income taxes paid to other states and subdivisions deductible.</td>
</tr>
<tr>
<td>Connecticut</td>
<td>Excise tax measured by net income</td>
<td>10 percent of net income or 4.0 percent of interest dividends credited to depositors</td>
<td>Base: Modified federal income tax base; interest on all governmental obligations taxable; own and other state/local income taxed deductible.</td>
</tr>
<tr>
<td>Delaware</td>
<td>Direct net income tax</td>
<td>8.7 percent</td>
<td>Base: Modified federal income tax base, interest on other state obligations taxable; other state income taxes deductible.</td>
</tr>
</tbody>
</table>
## CORPORATE TAXES ON FINANCIAL CORPORATIONS BY STATE, 1979

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<tr>
<th>State</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Florida</td>
<td>Excise tax measured by net income</td>
<td>5 percent</td>
<td>Base: Modified federal income tax base; interest on governmental obligations taxable, other state income taxes deductible.</td>
</tr>
<tr>
<td>Georgia</td>
<td>Shares tax</td>
<td>-</td>
<td>Base: Banks and S &amp; L's subject to a share tax by local governments based on net worth.</td>
</tr>
<tr>
<td>Hawaii</td>
<td>Excise tax measured by net income</td>
<td>11.7 percent</td>
<td>Base: Modified federal income tax base; interest on all governmental obligations taxable, federal and own income taxes deductible.</td>
</tr>
<tr>
<td>Idaho</td>
<td>Excise tax measured by net income</td>
<td>6.5 percent</td>
<td>Base: Modified federal income tax base; includes interest on governmental obligations, with exceptions; income taxes not deductible.</td>
</tr>
<tr>
<td>Illinois</td>
<td>Excise tax measured by net income</td>
<td>4.0 percent plus a 2.5% add-on</td>
<td>Base: Modified federal income tax base, excludes interest on federal obligations; own and other state income taxes deductible.</td>
</tr>
<tr>
<td>Indiana</td>
<td>Supplemental net income and/or direct tax on adjusted gross income</td>
<td>3.0 percent of state source adjusted gross income and/or 1.7 percent of gross income</td>
<td>Base: Modified federal income tax base, excludes interest on governmental obligations, income taxes not deductible.</td>
</tr>
<tr>
<td>Iowa</td>
<td>Excise tax measured by net income</td>
<td>Rate graduated from 5 to 8 percent</td>
<td>Base: Modified federal income tax base, excludes interest on state obligations; income taxes deductible.</td>
</tr>
<tr>
<td>Kansas</td>
<td>Excise tax measured by net income</td>
<td>Rate graduated from 5 to 7 1/4 percent</td>
<td>Base: Modified federal income tax base, interest on governmental obligations taxable except certain own obligations, income taxes not deductible.</td>
</tr>
</tbody>
</table>
CORPORATE TAXES ON FINANCIAL CORPORATIONS BY STATE, 1979

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</tr>
</thead>
<tbody>
<tr>
<td>Kentucky</td>
<td>Shares tax</td>
<td>-</td>
<td>Shares tax paid to county in which institution located in lieu of other state and local taxes.</td>
</tr>
<tr>
<td>Louisiana</td>
<td>Shares tax</td>
<td>-</td>
<td>Shares and property taxes only</td>
</tr>
<tr>
<td>Maine</td>
<td>Excise tax measured by net income</td>
<td>Rate graduated from 5 to 7 percent</td>
<td>Modified federal income tax base; includes interest on all governmental obligations, own and other state income taxes deductible.</td>
</tr>
<tr>
<td>Maryland</td>
<td>Excise tax measured by net income</td>
<td>7 percent for banks and 3/4% for S &amp; L plus a franchise tax of .013% of savings deposits.</td>
<td>Modified federal income tax base, includes interest on all governmental obligations and interest paid to depositors (S &amp; L's only), income taxes non-deductible.</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>Excise tax measured by net income/net operating income</td>
<td>12.5% for banks, rate for S &amp; L equal 1.254% of net operating income plus 1/16th of 1% of deposits each 6 months plus share capital plus a 14% surcharge.</td>
<td>Modified federal income tax base for bank; state defined base for S &amp; L's; includes interest on all governmental obligations, income taxes non-deductible.</td>
</tr>
<tr>
<td>Michigan</td>
<td>Single business tax</td>
<td>2.35 percent</td>
<td>Modified federal income tax base; interest on own obligations exempt; income taxes non-deductible</td>
</tr>
<tr>
<td>Minnesota</td>
<td>Excise tax measured by net income</td>
<td>12.0 percent (less $500 credit)</td>
<td>State defined base; interest on governmental obligations taxable, federal and other income taxes deductible.</td>
</tr>
<tr>
<td>Mississippi</td>
<td>Shares tax</td>
<td>-</td>
<td>Shares paid to county.</td>
</tr>
</tbody>
</table>
### CORPORATE TAXES ON FINANCIAL CORPORATIONS BY STATE, 1979

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</tr>
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<tbody>
<tr>
<td>Missouri</td>
<td>Direct income/excise tax measured by net income</td>
<td>7 percent</td>
<td>Base: State defined income tax base; interest on governmental obligations taxable; federal and other state income taxes deductible.</td>
</tr>
<tr>
<td>Montana</td>
<td>Excise tax measured by net income</td>
<td>6.75 percent</td>
<td>Base: Modified federal income tax base, own state obligations exempt, own and other state income taxes deductible.</td>
</tr>
<tr>
<td>Nebraska</td>
<td>Excise tax measured by net income</td>
<td>4.50 percent for first $25,000; 4.95% over $25,000</td>
<td>Base: Modified federal income tax base, own state obligations exempt, own and other state income taxes deductible.</td>
</tr>
<tr>
<td>Nevada</td>
<td>No corporate tax</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>New Hampshire</td>
<td>Direct corporate tax on gross business profits</td>
<td>8 percent</td>
<td>Base: Modified federal income tax base; interest on governmental obligations exempt, own and other state income taxes deductible.</td>
</tr>
<tr>
<td>New Jersey</td>
<td>Excise tax measured by net income capital and dividends/interest</td>
<td>7 1/2 percent for banks and 3% of allocated net income for savings banks</td>
<td>Base: Modified federal income tax base; interest on federal and own state obligations tax exempt, income taxes non-deductible.</td>
</tr>
<tr>
<td>New Mexico</td>
<td>Excise tax measured by net income, capital and dividends/interest</td>
<td>6 percent</td>
<td>Base: Modified federal income tax base; interest on governmental obligations taxable, own and other state income taxes deductible.</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>State</th>
<th>Type of Tax</th>
<th>Rate</th>
<th>Base/Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Carolina</td>
<td>Direct net income tax/ excise tax measured by net income</td>
<td>6 percent for banks, 7.5 percent for S &amp; L's</td>
<td>Base: Modified federal income tax base; interest on own and federal obligations exempt, income taxes non-deductible.</td>
</tr>
<tr>
<td>North Dakota</td>
<td>Excise tax measured by net income</td>
<td>5 percent plus an additional 2 percent tax</td>
<td>Base: Modified federal income tax base; interest on all governmental obligations taxable; federal income taxes deductible.</td>
</tr>
<tr>
<td>Ohio</td>
<td>Shares Tax</td>
<td></td>
<td>Base: Shares paid to county</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>Excise tax measured by net income</td>
<td>4 percent</td>
<td>Base: Modified federal income tax base; interest on own state obligations exempt; income taxes non-deductible</td>
</tr>
<tr>
<td>Oregon</td>
<td>Excise tax measured by net income</td>
<td>7.5 percent</td>
<td>Base: State defined base (gross income) all interest on governmental obligations taxable except own state obligations issued after 1961; income taxes non-deductible.</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>Excise tax measured by net income/shares tax</td>
<td>11.5 percent of net for mutual S &amp; L's; banks and stock S &amp; L's pay shares tax, 15 mills per $1 actual value</td>
<td>Base: State defined base; all interest on governmental obligations taxable, income taxes deductible.</td>
</tr>
</tbody>
</table>
## CORPORATE TAXES ON FINANCIAL CORPORATIONS BY STATE, 1979

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<tr>
<td>Rhode Island</td>
<td>Direct tax on income or net worth; excise tax</td>
<td>For banks, 8 percent of net</td>
<td>State defined base; interest on all</td>
</tr>
<tr>
<td></td>
<td>measured by net income</td>
<td>income or $2.50 per $10,000</td>
<td>governmental obligations taxable under</td>
</tr>
<tr>
<td></td>
<td></td>
<td>of authorized capital stock</td>
<td>excise tax, federal and other income</td>
</tr>
<tr>
<td></td>
<td></td>
<td>for S &amp; L's 8 percent of net</td>
<td>taxes deductible for banks, other income</td>
</tr>
<tr>
<td></td>
<td></td>
<td>income or 40¢ per $100 net</td>
<td>taxes may be deductible for S &amp; L's</td>
</tr>
<tr>
<td></td>
<td></td>
<td>worth</td>
<td>depending on the base taxed.</td>
</tr>
<tr>
<td>South Carolina</td>
<td>Direct tax on net income, excise tax measured by</td>
<td>4.5 percent for banks</td>
<td>Modified federal income tax base; interest</td>
</tr>
<tr>
<td></td>
<td>net income</td>
<td>8.0 percent for S &amp; L's</td>
<td>on federal and own obligations exempt for</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>S &amp; L's only; income taxes nondeductible</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>for S &amp; L's, deductible for banks.</td>
</tr>
<tr>
<td>South Dakota</td>
<td>Excise tax measured by net income</td>
<td>6.0 percent</td>
<td>State defined base; interest on all</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>governmental obligations taxable; federal</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>and other state income taxes deductible.</td>
</tr>
<tr>
<td>Tennessee</td>
<td>Excise tax measured by net income</td>
<td>6.0 percent</td>
<td>State defined base; interest on all</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>governmental obligations taxable; other</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>state income taxes deductible.</td>
</tr>
<tr>
<td>Texas</td>
<td>Shares tax</td>
<td>4.25 percent</td>
<td>Stated capital, surplus and undivided</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>profits allocated according to gross</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>receipts from intrastate business.</td>
</tr>
<tr>
<td>State</td>
<td>Type of Tax</td>
<td>Rate</td>
<td>Base/Comments</td>
</tr>
<tr>
<td>-------------</td>
<td>--------------------------------------</td>
<td>-----------------------</td>
<td>-------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Utah</td>
<td>Excise tax measured by net income</td>
<td>4 percent</td>
<td>Base: State defined base; interest on own state obligations exempt; federal and other state income taxes deductible.</td>
</tr>
<tr>
<td>Vermont</td>
<td>Excise tax measured by net income</td>
<td>Rate graduated from 5 to 7.5 percent</td>
<td>Base: Modified federal income tax base interest on own and other state obligations exempt; own and other state income taxes deductible.</td>
</tr>
<tr>
<td>Virginia</td>
<td>Direct net income tax/shares tax</td>
<td>6 percent for S &amp; L's banks pay shares tax</td>
<td>Base: Modified federal income tax base; interest on own and other state obligations exempt, income taxes non-deductible.</td>
</tr>
<tr>
<td>Washington</td>
<td>Shares tax</td>
<td>-</td>
<td>Base: Tax based on share capital</td>
</tr>
<tr>
<td>West Virginia</td>
<td>Gross receipts tax</td>
<td>1.15 percent</td>
<td>Base: Interest on governmental obligations and 1st mortgages on residential property deductible.</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>Excise tax measured by net income</td>
<td>Rate graduated from 2.3 percent to 7.9 percent</td>
<td>Base: State defined base; interest on all governmental obligations taxable; income taxes deductible federal taxes deductible up to 10% of net income.</td>
</tr>
<tr>
<td>Wyoming</td>
<td>Excise tax measured by total capital</td>
<td>-</td>
<td>Base: Tax based on property</td>
</tr>
</tbody>
</table>

SALES TAX

By State, 1979
<table>
<thead>
<tr>
<th>State</th>
<th>Basic State Sales Tax Rate (percent)</th>
<th>Maximum Local Sales Tax Rate (percent)</th>
<th>Combined State and Maximum Local Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>4</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Arizona</td>
<td>4</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Arkansas</td>
<td>3</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>California</td>
<td>4.75</td>
<td>1.75</td>
<td>6.5</td>
</tr>
<tr>
<td>Colorado</td>
<td>3</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Connecticut</td>
<td>7.5</td>
<td>-</td>
<td>7</td>
</tr>
<tr>
<td>Florida</td>
<td>4</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Georgia</td>
<td>3</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Hawaii</td>
<td>4</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Idaho</td>
<td>3</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Illinois</td>
<td>4</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Indiana</td>
<td>4</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Iowa</td>
<td>3</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Kansas</td>
<td>3</td>
<td>.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Kentucky</td>
<td>4</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Louisiana</td>
<td>3</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Maine</td>
<td>5</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Maryland</td>
<td>5</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>5</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Michigan</td>
<td>4</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Minnesota</td>
<td>4</td>
<td>.13</td>
<td>5.3</td>
</tr>
<tr>
<td>Mississippi</td>
<td>5</td>
<td>.53</td>
<td>5.53</td>
</tr>
<tr>
<td>Missouri</td>
<td>3.125</td>
<td>1.5</td>
<td>4.625</td>
</tr>
<tr>
<td>Nebraska</td>
<td>3</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Nevada</td>
<td>3</td>
<td>.5</td>
<td>3.5</td>
</tr>
<tr>
<td>New Jersey</td>
<td>5</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>New Mexico</td>
<td>3.75</td>
<td>1</td>
<td>4.75</td>
</tr>
<tr>
<td>New York</td>
<td>4</td>
<td>4</td>
<td>8.75</td>
</tr>
<tr>
<td>North Carolina</td>
<td>3</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>North Dakota</td>
<td>3</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Ohio</td>
<td>4</td>
<td>1.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>2</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>6</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>6</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>South Carolina</td>
<td>4</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>South Dakota</td>
<td>54</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Tennessee</td>
<td>4.5</td>
<td>2.5</td>
<td>7</td>
</tr>
<tr>
<td>Texas</td>
<td>4</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Utah</td>
<td>4</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Vermont</td>
<td>3</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Virginia</td>
<td>3</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Washington¹</td>
<td>4.5</td>
<td>.9</td>
<td>5.3</td>
</tr>
<tr>
<td>West Virginia¹</td>
<td>3</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>4</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Wyoming</td>
<td>3</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Alaska (Local only)</td>
<td>-</td>
<td>5.5</td>
<td></td>
</tr>
</tbody>
</table>

¹Excluding gross receipts or gross income tax.
²Voter referendum on rate increase to 5.5.
³One city only.
⁴Temporary; 48 is basic figure.
### Selected Sales Tax Rates in New York State, New Jersey, Connecticut and the New York MTA Jurisdiction 1/1980

<table>
<thead>
<tr>
<th>State</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York State</td>
<td>4%</td>
</tr>
<tr>
<td>Connecticut</td>
<td>7.5%</td>
</tr>
<tr>
<td>New Jersey</td>
<td>5%</td>
</tr>
</tbody>
</table>

#### MTA Jurisdiction (State and Local Sales Tax)

<table>
<thead>
<tr>
<th>County</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York City</td>
<td>8%</td>
</tr>
<tr>
<td>Westchester</td>
<td>5%</td>
</tr>
<tr>
<td>White Plains 2/</td>
<td>7%</td>
</tr>
<tr>
<td>New Rochelle 2/</td>
<td>7%</td>
</tr>
<tr>
<td>Mount Vernon 2/</td>
<td>7%</td>
</tr>
<tr>
<td>Yonkers 2/</td>
<td>8%</td>
</tr>
<tr>
<td>Nassau</td>
<td>7%</td>
</tr>
<tr>
<td>Suffolk</td>
<td>7%</td>
</tr>
<tr>
<td>Putnam</td>
<td>5%</td>
</tr>
<tr>
<td>Dutchess</td>
<td>5%</td>
</tr>
<tr>
<td>Orange</td>
<td>4%</td>
</tr>
<tr>
<td>Rockland</td>
<td>4%</td>
</tr>
</tbody>
</table>

1/ Sales tax rate includes the combined local and state tax rate
2/ Selected cities in the county of Westchester which impose a local tax.

Source: State Tax Handbook, 1979, (Commerce Clearinghouse)
<table>
<thead>
<tr>
<th>State</th>
<th>Rate/Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>The statewide sales and use tax rate is 4%. The tax is imposed on sales of tangible personal property, enumerated services, sales of utility services, restaurant meals, admission charges.</td>
</tr>
<tr>
<td>New York City</td>
<td>The NYC sales and use tax rate is 4%. (The total rate in NYC is 8%.) The tax applies to sales of tangible personal property enumerated services, sales of utility services, restaurant meals and admission charges.</td>
</tr>
<tr>
<td>State</td>
<td>Rate/Base</td>
</tr>
<tr>
<td>------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Alabama    | Retail Sales - 4% of gross proceeds of sales of tangible personalty and gross receipts of amusement business; except automobiles, trailers, mining and manufacturing machinery and firm equipment 1 1/2%.  
Use - Same as sales tax rates. Basis is sales price of tangible personal property used, consumed or stored in Alabama. |
| Alaska     | No sales or use tax                                                                                                                     |
| Arizona    | Use Tax - 4% of sales price of tangible personal property purchased for use.                                                            |
| Arkansas   | 3% of gross proceeds of retail sales of tangible personal property, utility services, telephone and telegraph services repair, cleaning and alteration services, furnishing rooms by hotels, admissions to amusements etc.  
Use - 3% of tangible personal property purchased outside the state for storage use or consumption in the state. |
| California | Sales - 4 3/4% of gross receipts from retail sales of tangible personal property  
Use - 4 3/4% of sales price of tangible personal property purchased for storage, use or consumption. |
<table>
<thead>
<tr>
<th>State</th>
<th>Rate/Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colorado</td>
<td>3% of gross receipts from retail sales of personality telephone, telegraph, gas, and electric services, meals furnished the public, room rentals or of sales price of personality purchased for storage, use or consumption.</td>
</tr>
<tr>
<td>Connecticut</td>
<td>Sales - 7% of gross receipts of retail sales of personal property</td>
</tr>
<tr>
<td></td>
<td>Use - 7% of sales price of tangible personal property stored accepted, consumed or used within the state</td>
</tr>
<tr>
<td>Delaware</td>
<td>No sales tax or use tax</td>
</tr>
<tr>
<td>Florida</td>
<td>4% of retail sales, rentals, admission charges use consumption, distribution or storage for use or consumption in Florida of tangible personal property and services. The sale, use, consumption or storage for use of farm equipment is taxed at 3%.</td>
</tr>
<tr>
<td>Georgia</td>
<td>Sales - 3% of sales price and</td>
</tr>
<tr>
<td></td>
<td>Use - 3% of cost price of articles used or stored</td>
</tr>
<tr>
<td>Hawaii</td>
<td>(Excise) from 1/2% to 4% of the value of products, gross proceeds or gross income according to type of business</td>
</tr>
<tr>
<td></td>
<td>(Use) 1/2 of 1% of purchase price or 4% of value of property imported into, acquired or used in Hawaii.</td>
</tr>
<tr>
<td>Idaho</td>
<td>Sales - 3% of retail sales price of taxable property</td>
</tr>
<tr>
<td></td>
<td>Use - 3% of value of property</td>
</tr>
<tr>
<td>State</td>
<td>Rate/Base</td>
</tr>
<tr>
<td>----------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Illinois | Sales Tax - 4% of gross receipts from retail sales of tangible personal property  
           | Use Tax - 4% of selling price of property                                                                                                      |
| Indiana  | Sales - 4% of gross income from selling at retail  
           | Use - 4% of sales price.                                                                                                                      |
| Iowa     | Sales Tax - 3% of gross receipts from sales of tangible personality, certain utility and other services, admissions to amusement or athletic events.    |
           | Use Tax - 3% of purchase price of tangible personal property for use within the state                                                          |
| Kansas   | Sales - 3% of gross receipts from retail sales, rendering certain services, serving meals or drinks, selling admissions etc.                        |
           | Use - 3% of sales price of tangible personal property purchased for storage use or consumption                                                 |
| Kentucky | Sales and Use Tax - 5% of retail sales price of property sold and of cost price of property, including utilities used, consumed, distributed or stored; 5% of rental charged and cost of admissions. |
| Louisiana| 2% plus additional 1% of retail sale, lease or rental use, consumption, distribution or storage of tangible personal property, sales of services including admissions and hotel accommodations. |

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<table>
<thead>
<tr>
<th>State</th>
<th>Rate/Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maine</td>
<td>Sales - 5% of sales price of tangible personal property sold at retail or rental of living quarters in hotels, utility services etc.</td>
</tr>
<tr>
<td></td>
<td>Use - 5% of sales price of tangible personal property purchased for storage use or consumption and the rental of living quarters</td>
</tr>
<tr>
<td>Maryland</td>
<td>Retail Sales - On all purchases (except farm vehicles and equipment manufacturing machinery and equipment) of 20¢, 1¢; 21¢ to 40¢, 2¢; 41¢ to 60¢, 3¢; 61¢ to 80¢, 4¢; 81¢ to $1, 5¢ each additional 20¢ or fraction thereof over $1, 1¢. Includes retail sales of tangible personal property and sales of certain services. (Lower rate on sales of farm vehicles etc.)</td>
</tr>
<tr>
<td></td>
<td>Use Tax - On all purchases, except farm vehicles and equipment and manufacturing machinery and equipment of 20¢, 1¢; 21¢ to 40¢, 2¢; 41¢ to 60¢, 3¢; 61¢ to 80¢, 4¢; 81¢ to $1, 5¢; each additional 20¢ or fraction thereof over $1, 1¢ for personal property used, stored or consumed in the state, each additional 25¢ or fraction thereof over $1, 1¢. (Lower rate on sales of vehicles etc.)</td>
</tr>
<tr>
<td>State</td>
<td>Rate/Base</td>
</tr>
<tr>
<td>------------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>5% of gross receipts from retail sales or storage, use or consumption of taxable property</td>
</tr>
<tr>
<td>Michigan</td>
<td>Sales - 4% of gross proceeds from retail sales of tangible personal property, electricity, gas and steam</td>
</tr>
<tr>
<td></td>
<td>Use - 4% of sales price of tangible personal property purchased for storage use or consumption, including rentals of rooms and lodgings and interstate telephone</td>
</tr>
<tr>
<td>Minnesota</td>
<td>4% of gross receipts from or the sales price of retail sales use, storage or consumption of tangible personal property</td>
</tr>
<tr>
<td>Mississippi</td>
<td>Sales - 1/8 of 1% to 5% of gross income from various businesses, classified into selling, contracting, service, production and public utility businesses</td>
</tr>
<tr>
<td></td>
<td>Use - Tax imposed at rates levied under sales tax on purchase price or selling price, or value if manufactured, or rental charge or charge for service</td>
</tr>
<tr>
<td>Missouri</td>
<td>Sales - 3 1/8% of purchase price of tangible personal property; 3 1/8% of purchase price of new or used automobile, 3 1/8% of amounts paid for lease or rental of tangible personal property</td>
</tr>
<tr>
<td></td>
<td>Use - 3 1/8% of purchase price of tangible personal property used, stored or consumed</td>
</tr>
</tbody>
</table>
## SALE AND USE TAXES BY STATE, 1979

<table>
<thead>
<tr>
<th>State</th>
<th>Rate/Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montana</td>
<td>No sales or use tax</td>
</tr>
<tr>
<td>Nebraska</td>
<td>3% of gross receipts from retail sales of tangible personal property and upon the storage, use or other consumption in the state of tangible personal property</td>
</tr>
<tr>
<td>Nevada</td>
<td>2% of gross receipts from sales of tangible personal property or sale price of tangible personal property stored, used or consumed plus 1% on sales or use of taxable property in any county</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>No sales tax or use tax</td>
</tr>
<tr>
<td>New Jersey</td>
<td>5% of taxable sales and uses, rentals, occupancies and admissions</td>
</tr>
<tr>
<td>New Mexico</td>
<td>Sales and Use Tax - 13/4% of gross receipts</td>
</tr>
</tbody>
</table>
| North Carolina      | Sales - 3% motor vehicles and airplanes: 2% with $120 maximum per vehicle or airplane  
Use - 3% of sales price of tangible personal property stored used or consumed in the state or if sales tax is lower same as sales tax |
| State       | Rate/Base | Sales - 3% of gross receipts from retail sales of tangible personal property, steam, gas, water and communication service admissions to places of amusement, periodicals tourist accommodations etc. Farm machinery and agricultural irrigation equipment, 2% of gross receipts | Use - 3% of sales price of tangible personal property purchased for storage, use or consumption except 2% of the purchase price of farm machinery and agricultural irrigation equipment. | Sales - Sales price of tangible personal property sold at retail including rentals, lodging, production and fabrication; 1¢ through 15¢ - no tax; 16¢ through 31¢ - 1¢; 32¢ - 51¢ - 2¢; 52¢ - 71¢ - 3¢; 72¢ - $1.00 4¢. If over $1.4¢ per full dollar plus 1¢ if price exceeds an even number of dollars by more than 8¢ but not more than 31¢, 2¢ if more than 31¢, but not more than 51¢, 3¢ if more than 51¢ but not more than 71¢ and 4¢ if over 71¢. Use - On tangible personal property purchased for storage use or consumption, including rentals and production same rate as retail sales tax. |
SALES AND USE TAXES BY STATE, 1979

<table>
<thead>
<tr>
<th>State</th>
<th>Rate/Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oklahoma</td>
<td>Sales - 2% of gross receipts from sales of tangible personal property, services, meals, advertising public services rooms, passenger transportation, parking and admissions. Use - 2% of sales price of tangible personal property purchased or brought into Oklahoma for storage, use or consumption within the state insofar as no sales tax was paid on such property</td>
</tr>
<tr>
<td>Oregon</td>
<td>No sales tax or use tax</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>6% of purchase price of tangible personal property with exclusions and certain services.</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>6% of gross receipts from retail sales rentals of tangible personal property and room rentals to tourists and storage, use or consumption of all tangible personal property</td>
</tr>
<tr>
<td>South Carolina</td>
<td>4% of retail sales of tangible personal property or tangible personal property stored, used, consumed or rented.</td>
</tr>
<tr>
<td>State</td>
<td>Rate/Base</td>
</tr>
<tr>
<td>---------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>South Dakota</td>
<td>Retail occupational sales tax - 4% (3% on sales and resales of farm machinery and agricultural aircraft and 3% on gross receipts from vending machine) of gross receipts from rentals of lodging establishments and from retail sales of tangible personal property, public utility services, admissions to amusements and from services. Use - 4% of sales price of tangible personal property used, stored or consumed in state. (2% on farm machinery)</td>
</tr>
<tr>
<td>Tennessee</td>
<td>3% of sales price, cost price of articles stored or used gross charge for services and gross proceeds from leases or rentals. Water sold to or used by manufacturers 1%; gas, electricity, fuel oil, coal and other energy fuels sold to or used by manufacturers or sold to consumers for residential use, 1 1/2%.</td>
</tr>
<tr>
<td>Texas</td>
<td>Sales - 4% of retail sales price on sale at retail of taxable items. Use - 4% of sales price upon the storage use or consumption of taxable items purchased leased or rented for use in state</td>
</tr>
</tbody>
</table>
### SALE AND USE TAXES BY STATE, 1979

<table>
<thead>
<tr>
<th>State</th>
<th>Rate/Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utah</td>
<td><strong>Sales</strong> - 4% of purchase price of tangible personal property (except 1% on fuels for residential use) amounts paid to certain public utility corporations, amounts paid for meals and admissions to places of amusement, amounts paid for servicing tangible personal property, amounts paid for transit accommodations of less than 30 days and amount paid for leases or rentals. Use - 4% of sales of tangible personal property purchased for storage, use or consumption within the state.</td>
</tr>
<tr>
<td>Vermont</td>
<td>3% of taxable sales and uses, charges and rentals</td>
</tr>
<tr>
<td>Virginia</td>
<td><strong>Sales</strong> - 3% of sales price gross proceeds or cost price of tangible personal property, rentals, services or accommodations. Use - 3% of cost price of tangible personal property used or consumed.</td>
</tr>
<tr>
<td>Washington</td>
<td>4.5% of retail sales price; 10% on package sales of spirits by state liquor stores plus a 5% additional tax plus 4¢ per fluid ounce or fraction thereof; 15% on all other package sales of spirits and strong beer; 4.5% of value of tangible personal property used.</td>
</tr>
<tr>
<td>State</td>
<td>Rate/Base</td>
</tr>
<tr>
<td>-------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>West Virginia</td>
<td>3% of gross proceeds of sales or of sales price of tangible personal property stored, consumed or used within the state</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>4% of gross receipts from selling, leasing or renting tangible personal property and certain services or from the storage use or other consumption in Wisconsin of tangible personal property or taxable services purchased from any retailer.</td>
</tr>
<tr>
<td>Wyoming</td>
<td>Sales - 3% of retail sales of tangible personal property, utility and other services, meals and cover charges, admissions to amusements, charges for transient living quarters, motor vehicles and trailers. Use - 3% of sales price of tangible personal property purchased for storage use or consumption.</td>
</tr>
</tbody>
</table>
# Local Governments with Sales Tax

**By State, 1979**

<table>
<thead>
<tr>
<th>State</th>
<th>Types of Local Gov'ts.</th>
<th>No. of Local Gov'ts.</th>
<th>Rates (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>Municipalities and Counties</td>
<td>70</td>
<td>1 to 3&lt;sup&gt;A/&lt;/sup&gt;</td>
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<tr>
<td>Alabama</td>
<td>Municipalities and Counties</td>
<td>301</td>
<td>0.5 to 3</td>
</tr>
<tr>
<td>Alaska</td>
<td>Municipalities and Counties</td>
<td>93</td>
<td>1 to 5</td>
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<tr>
<td>Arizona</td>
<td>Municipalities</td>
<td>39</td>
<td>1 to 2</td>
</tr>
<tr>
<td>Arkansas</td>
<td>Municipalities</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>California</td>
<td>Municipalities, Counties and Transit Districts</td>
<td>442</td>
<td>0.5 to 1.75</td>
</tr>
<tr>
<td>Colorado</td>
<td>Municipalities, Counties and Special Districts</td>
<td>165</td>
<td>0.5 to 4</td>
</tr>
<tr>
<td>Connecticut</td>
<td>-</td>
<td>0</td>
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</tr>
<tr>
<td>Delaware</td>
<td>-</td>
<td>0</td>
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</tr>
<tr>
<td>Florida</td>
<td>-</td>
<td>0</td>
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</tr>
<tr>
<td>Georgia</td>
<td>Municipalities, Counties and Transit Districts</td>
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<td>1</td>
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<tr>
<td>Hawaii</td>
<td>-</td>
<td>0</td>
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<td>Idaho</td>
<td>-</td>
<td>0</td>
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<tr>
<td>Illinois</td>
<td>Municipalities, Counties and Transit Districts</td>
<td>1359</td>
<td>0.25 to 1</td>
</tr>
<tr>
<td>Indiana</td>
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<td>0</td>
<td>-</td>
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<td>Iowa</td>
<td>-</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Kansas</td>
<td>Municipalities and Counties</td>
<td>20</td>
<td>0.5 to 1</td>
</tr>
<tr>
<td>Kentucky</td>
<td>-</td>
<td>0&lt;sup&gt;B/&lt;/sup&gt;</td>
<td>-</td>
</tr>
<tr>
<td>Louisiana</td>
<td>Municipalities, Parishes, School Districts</td>
<td>217</td>
<td>0.5 to 3</td>
</tr>
<tr>
<td>Maine</td>
<td>-</td>
<td>0</td>
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<tr>
<td>Maryland</td>
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<td>Michigan</td>
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</tr>
<tr>
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<td>Municipalities</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Mississippi</td>
<td>-</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Missouri</td>
<td>Municipalities, Counties, Transit Districts</td>
<td>218</td>
<td>0.5 to 1</td>
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<td>Montana</td>
<td>-</td>
<td>0</td>
<td>-</td>
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<tr>
<td>Nebraska</td>
<td>Municipalities</td>
<td>4</td>
<td>1 to 1.5</td>
</tr>
</tbody>
</table>

---

<sup>A/</sup> Except New York City, when the rate is 4 percent.

<sup>B/</sup> Mass transit authorities were authorized to levy up to 1.2 of 1 percent to sales tax effective June 19, 1976. The tax would be state administered and collected.
### LOCAL GOVERNMENTS WITH SALES TAX BY STATE, 1979 (Cont'd.)

<table>
<thead>
<tr>
<th>State</th>
<th>Types of Local Gov'ts.</th>
<th>No. of Local Gov'ts.</th>
<th>Rates (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nevada</td>
<td>Municipalities and Counties</td>
<td>13</td>
<td>0.5</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>-</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>New Jersey</td>
<td>-</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>New Mexico</td>
<td>Municipalities and Counties</td>
<td>99</td>
<td>0.25 to 0.75</td>
</tr>
<tr>
<td>North Carolina</td>
<td>Counties</td>
<td>99</td>
<td>1</td>
</tr>
<tr>
<td>North Dakota</td>
<td>-</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Ohio</td>
<td>Counties, Regional Municipalities</td>
<td>51</td>
<td>0.5 to 1</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>Municipalities</td>
<td>398</td>
<td>1 to 3</td>
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<tr>
<td>Oregon</td>
<td>-</td>
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<td>0</td>
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<tr>
<td>South Dakota</td>
<td>Municipalities</td>
<td>46</td>
<td>1 to 2</td>
</tr>
<tr>
<td>Tennessee</td>
<td>Municipalities and Counties (Municipalities and Municipal Rapid Transit Authorities)</td>
<td>117</td>
<td>0.5 to 2.25</td>
</tr>
<tr>
<td>Texas</td>
<td>Municipalities, Counties and Transit District</td>
<td>946</td>
<td>0.5 to 2</td>
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<tr>
<td>Utah</td>
<td>Cities and Counties</td>
<td>136</td>
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<td>Vermont</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Virginia</td>
<td>Municipalities, Counties and Special Districts</td>
<td>302</td>
<td>0.5 to 0.8</td>
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<tr>
<td>Washington</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>West Virginia</td>
<td>Counties</td>
<td>13C/</td>
<td>1</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>-</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Wyoming</td>
<td>-</td>
<td>0</td>
<td>-</td>
</tr>
</tbody>
</table>

C/In 1969 counties were authorized to levy a 1/2 of 1 percent sales tax, to be state administered and collected. To date no county has adopted the tax.

**SOURCE:** ACIR staff compilation based on Commerce Clearing House, State Tax Reporter, and supplemental local government data.
PERSONAL INCOME TAXES

By State 1977/1979
<table>
<thead>
<tr>
<th>State</th>
<th>5,000</th>
<th>15,000</th>
<th>25,000</th>
<th>50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>-</td>
<td>2.4%</td>
<td>4.4%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Alabama</td>
<td>0.3%</td>
<td>1.5</td>
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</tr>
<tr>
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<td>4.4</td>
</tr>
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<td>3.4</td>
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<tr>
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<td>2.9</td>
<td>4.5</td>
</tr>
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<td>1.1</td>
<td>2.5</td>
<td>5.6</td>
</tr>
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<td>2.6</td>
<td>3.6</td>
</tr>
<tr>
<td>Connecticut**</td>
<td>-</td>
<td>-</td>
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<td>-</td>
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<tr>
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<td>0.8</td>
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<td>7.1</td>
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<td>4.0</td>
</tr>
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<td>Indiana</td>
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<tr>
<td>Kentucky</td>
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<tr>
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<tr>
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<tr>
<td>Nevada</td>
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<tr>
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<tr>
<td>Wyoming</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Personal Income Tax (Con't)

Footnote

*Effective rates are computed as the percentage that tax liability is of adjusted gross income (i.e., income after business deductions but before personal exemptions and other allowable deductions). In computing income taxes, it was assumed that all income was from wages and salaries and earned by one spouse. In computing the state income taxes for the $5,000 class, the optional standard deductions, low income allowances, and optional tax tables were used. For the other income classes (based on deductions claimed on federal income tax returns) the following estimated itemized deductions were assumed: $15,000-$3,830; and $25,000-$5,115; $50,000-$7,875. Negative rates result from credits allowed for consumer type taxes paid and/or property tax or renter credits. If the credit exceeds the tax liability the tax payer can apply for a refund.

**Limited personal income tax.

**PERSONAL INCOME TAXES BY STATE, 1979**

<table>
<thead>
<tr>
<th>State</th>
<th>Personal Exemptions</th>
<th>Rate/Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York State</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>$ 700</td>
<td>Rates range from 2% on first</td>
</tr>
<tr>
<td>Married</td>
<td>1,400</td>
<td>$1,000 taxable income to 14%</td>
</tr>
<tr>
<td>Dependent</td>
<td>700</td>
<td>on income over $23,000</td>
</tr>
<tr>
<td>New York City</td>
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<td></td>
</tr>
<tr>
<td>Single</td>
<td>$ 700</td>
<td>Rates range from 0.9% on</td>
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<tr>
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<td>1,400</td>
<td>first $1,000 to 4.3% on</td>
</tr>
<tr>
<td>Dependent</td>
<td>700</td>
<td>income over $25,000</td>
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</table>
### Personal Income Taxes by State, 1979

<table>
<thead>
<tr>
<th>State</th>
<th>Personal Exemptions</th>
<th>Rate/Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>Single - $1,500</td>
<td>Rates range from 1.5% on the first $1000 of taxable income to 5% on income over $5,000</td>
</tr>
<tr>
<td></td>
<td>Married - 3,000</td>
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</tr>
<tr>
<td></td>
<td>Head of Family - 3,000</td>
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</tr>
<tr>
<td></td>
<td>Dependent - 300</td>
<td></td>
</tr>
<tr>
<td>Alaska</td>
<td>Single - $1,000</td>
<td>Rates range from 3% on first $2,000 of taxable income to 14.5% on income over $300,000</td>
</tr>
<tr>
<td></td>
<td>Married - 2,000</td>
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</tr>
<tr>
<td></td>
<td>Dependent - 1,000</td>
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</tr>
<tr>
<td>Arizona</td>
<td>Single - $1,226</td>
<td>Rates range from 2% on first $1000 of taxable income to 8% on income over $6,000</td>
</tr>
<tr>
<td></td>
<td>Married - 2,452</td>
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</tr>
<tr>
<td></td>
<td>Head of Household - 2,452</td>
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<tr>
<td></td>
<td>Dependent - 736</td>
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</tr>
<tr>
<td>Arkansas</td>
<td>From Tax:</td>
<td>Rates range from 1% on first $2,999 of taxable income to 7% on income over $25,000</td>
</tr>
<tr>
<td></td>
<td>Single - $17.50</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Married - 35.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Head of Household - 35.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 6.00</td>
<td></td>
</tr>
<tr>
<td>California</td>
<td>From Tax:</td>
<td>Rates range from 1% on first $2000 of taxable income to 11% on income over $15,500</td>
</tr>
<tr>
<td></td>
<td>Single - $25.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Married - 50.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Head of Household - 50.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 8.00</td>
<td></td>
</tr>
<tr>
<td>Colorado</td>
<td>Single - $850</td>
<td>Rates range from 3% on first $1000 of taxable income to 8% on income over $10,000</td>
</tr>
<tr>
<td></td>
<td>Married - 1,700</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 850</td>
<td></td>
</tr>
</tbody>
</table>
### PERSONAL INCOME TAXES BY STATE, 1979

<table>
<thead>
<tr>
<th>State</th>
<th>Personal Exemptions</th>
<th>Rate/Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connecticut</td>
<td></td>
<td>(No personal income tax)</td>
</tr>
<tr>
<td>Delaware</td>
<td>Single - $600</td>
<td>Rates range from 1% on the first</td>
</tr>
<tr>
<td></td>
<td>Married - 1,200</td>
<td>$1,000 of taxable income to 11% on income over</td>
</tr>
<tr>
<td></td>
<td>Dependent - 600</td>
<td>$25,000</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>Single - $750</td>
<td>Rates range from 2% on the first</td>
</tr>
<tr>
<td></td>
<td>Married - 1,500</td>
<td>$1000 of taxable income to 11% on income over</td>
</tr>
<tr>
<td></td>
<td>Head of Family -</td>
<td>$25,000</td>
</tr>
<tr>
<td></td>
<td>1,500</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 750</td>
<td></td>
</tr>
<tr>
<td>Florida</td>
<td></td>
<td>(No personal income tax)</td>
</tr>
<tr>
<td>Georgia</td>
<td>Single - $1,500</td>
<td>Rates range from 1% on the first</td>
</tr>
<tr>
<td></td>
<td>Married - 3,000</td>
<td>$1000 of taxable income to 6% on income over</td>
</tr>
<tr>
<td></td>
<td>Head of House-</td>
<td>$10,000</td>
</tr>
<tr>
<td></td>
<td>hold - 3,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 700</td>
<td></td>
</tr>
<tr>
<td>Hawaii</td>
<td>Single - $750</td>
<td>Rates range from 2.25% on the first</td>
</tr>
<tr>
<td></td>
<td>Married - 1,500</td>
<td>$500 of taxable income to 11% on income over</td>
</tr>
<tr>
<td></td>
<td>Dependent - 750</td>
<td>$30,000</td>
</tr>
<tr>
<td>Idaho</td>
<td>Single - 750</td>
<td>Rates range from 20% on the first</td>
</tr>
<tr>
<td></td>
<td>Married - 1,500</td>
<td>$1,000 of taxable income to 7.5% on income over</td>
</tr>
<tr>
<td></td>
<td>Dependent - 750</td>
<td>$5,000</td>
</tr>
</tbody>
</table>
### PERSONAL INCOME TAXES BY STATE, 1979

<table>
<thead>
<tr>
<th>State</th>
<th>Personal Exemptions</th>
<th>Rate/Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illinois</td>
<td>Single - $1,000</td>
<td>2.5% of federal adjusted income with modifications</td>
</tr>
<tr>
<td></td>
<td>Married - 2,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 1,000</td>
<td></td>
</tr>
<tr>
<td>Indiana</td>
<td>Single - $1,000</td>
<td>1.9% of federal adjusted gross income with modification</td>
</tr>
<tr>
<td></td>
<td>Married - $1,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 500</td>
<td></td>
</tr>
<tr>
<td>Iowa</td>
<td>From Tax:</td>
<td>Rates range from 0.5% on first</td>
</tr>
<tr>
<td></td>
<td>Single - $15</td>
<td>$1,000 of taxable income to 13% on income over $75,000. No tax on net income of $5,000 or less</td>
</tr>
<tr>
<td></td>
<td>Married - 30</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Head of House-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>hold - 30</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 10</td>
<td></td>
</tr>
<tr>
<td>Kansas</td>
<td>Single - $1,000</td>
<td>Rates range from 2% on first</td>
</tr>
<tr>
<td></td>
<td>Married - 2,000</td>
<td>$2,000 of taxable income to 9% on income over $25,000</td>
</tr>
<tr>
<td></td>
<td>Dependent - 1,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Head of House-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>hold</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Additional - 1,000</td>
<td></td>
</tr>
<tr>
<td>Kentucky</td>
<td>From Tax:</td>
<td>Rates range from 2% on first</td>
</tr>
<tr>
<td></td>
<td>Single - $20</td>
<td>$3,000 of taxable income to 6% on income over $8,000</td>
</tr>
<tr>
<td></td>
<td>Married - 40</td>
<td></td>
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<tr>
<td></td>
<td>Dependent - 20</td>
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<tr>
<td>State</td>
<td>Personal Exemptions</td>
<td>Rate/Base</td>
</tr>
<tr>
<td>-----------</td>
<td>---------------------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Louisiana</td>
<td></td>
<td>Rates range from 2% on the first $1,000 of taxable income to 6% on income over $50,000</td>
</tr>
<tr>
<td>Single</td>
<td>$2,500</td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td>Head of Family</td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td>Dependent</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td>Maine</td>
<td></td>
<td>Rates range from 1% on the first $2,000 of taxable income to 10% on income over $25,000</td>
</tr>
<tr>
<td>Single</td>
<td>$1,000</td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>2,000</td>
<td></td>
</tr>
<tr>
<td>Dependent</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>Maryland</td>
<td></td>
<td>Rates range from 2% on the first $1000 of taxable income to 5% on income over $3,000</td>
</tr>
<tr>
<td>Single</td>
<td>$800</td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>1,600</td>
<td></td>
</tr>
<tr>
<td>Dependent</td>
<td>800</td>
<td></td>
</tr>
<tr>
<td>Massachusetts</td>
<td></td>
<td>Interest, dividends, net capital gains-10%. Earned income, annuities savings deposit interest in Mass. banks - 5%. A 7.5% surtax is imposed</td>
</tr>
<tr>
<td>Single</td>
<td>$2,000</td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>4,600</td>
<td></td>
</tr>
<tr>
<td>Dependent</td>
<td>600</td>
<td></td>
</tr>
<tr>
<td>Married, filing Separately</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>Michigan</td>
<td></td>
<td>4.6% of federal adjusted gross income with modifications. Persons with business activity allocated or apportioned to Michigan are subject to a single business tax of 2.35% on an adjusted tax base. The first $40,000 of the tax base is exempt.</td>
</tr>
<tr>
<td>Single</td>
<td>$1,500</td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>3,000</td>
<td></td>
</tr>
<tr>
<td>Dependent</td>
<td>1,500</td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>Personal Exemptions</td>
<td>Rate/Base</td>
</tr>
<tr>
<td>----------------</td>
<td>-------------------------------------------------</td>
<td>-----------------------------------------------------</td>
</tr>
<tr>
<td>Minnesota</td>
<td>From Tax:</td>
<td>Rates range from 1.6% on the first $500 of taxable income to 17% on income over $40,000</td>
</tr>
<tr>
<td></td>
<td>Single - $55</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Married - 110</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 55</td>
<td></td>
</tr>
<tr>
<td>Mississippi</td>
<td>Single - $5,250</td>
<td>3% on the first $5000 of taxable income and 4% on income over $5,000</td>
</tr>
<tr>
<td></td>
<td>Married - 8,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Head of Family - 8,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 1,500</td>
<td></td>
</tr>
<tr>
<td>Missouri</td>
<td>Single - $1,200</td>
<td>Rates range from 1.5% on the first $1000 of taxable income to 6% on income over $9000</td>
</tr>
<tr>
<td></td>
<td>Married - 2,400</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Head of Household - 800</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent -</td>
<td></td>
</tr>
<tr>
<td>Montana</td>
<td>Single - $1,050</td>
<td>Rates range from 2% on the first $1000 of taxable income to 11% on income over $35,000. After computing tax liability, tax payers must add 10% surtax.</td>
</tr>
<tr>
<td></td>
<td>Married - 2,100</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 1,050</td>
<td></td>
</tr>
<tr>
<td>Nebraska</td>
<td>Single - $1,000</td>
<td>The personal income tax for 1979 is 18% of the taxpayer's adjusted federal income tax liability.</td>
</tr>
<tr>
<td></td>
<td>Married - 2,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 1,000</td>
<td></td>
</tr>
<tr>
<td>New Hampshire</td>
<td>Taxpayer - $600</td>
<td>5% on income from interest and dividends.</td>
</tr>
<tr>
<td></td>
<td>Spouse - $600</td>
<td></td>
</tr>
<tr>
<td>Nevada</td>
<td>(No personal income tax)</td>
<td></td>
</tr>
</tbody>
</table>
### Personal Income Taxes by State, 1979

<table>
<thead>
<tr>
<th>State</th>
<th>Personal Exemptions</th>
<th>Rate/Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Jersey</td>
<td></td>
<td>Resident and non-resident individends, estates and trusts are subject to a 2% tax on the first $20,000 of New Jersey taxable income, and a 2.5% tax on taxable income over $20,000. Taxpayers are liable only for the greater of this tax or the NY-NJ tax.</td>
</tr>
<tr>
<td>New Mexico</td>
<td>Single - $1,000</td>
<td>Rates range from .8% on the first $2,000 of taxable income to 9% on income over $200,000</td>
</tr>
<tr>
<td></td>
<td>Married - 2,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 1,000</td>
<td></td>
</tr>
<tr>
<td>North Carolina</td>
<td>Single - $1,000</td>
<td>Rates range from 3% on the first $2,000 of taxable income to 7% on income over $10,000</td>
</tr>
<tr>
<td></td>
<td>Married - 2,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Head of Household - 2,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 600</td>
<td></td>
</tr>
<tr>
<td>North Dakota</td>
<td>Single - $750</td>
<td>Rates range from 1% on the first $3,000 of taxable income to 7 1/2% on income over $30,000</td>
</tr>
<tr>
<td></td>
<td>Married - 1,500</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 750</td>
<td></td>
</tr>
<tr>
<td>Ohio</td>
<td>Single - $650</td>
<td>Rates range from .5% on the first $5000 of taxable income to 3 1/2% on income over $40,000</td>
</tr>
<tr>
<td></td>
<td>Married - 1,300</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 650</td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>Personal Exemptions</td>
<td>Rate/Base</td>
</tr>
<tr>
<td>---------------</td>
<td>---------------------</td>
<td>----------------------------------------------------</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>Single - $750</td>
<td>Rates range from .5% on the first $2,000 of taxable income to 17% on income over $94,000</td>
</tr>
<tr>
<td></td>
<td>Married - 1,500</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 750</td>
<td></td>
</tr>
<tr>
<td>Oregon</td>
<td>Single - $1,000</td>
<td>Rates range from 4% on the first $500 of taxable income to 10% on income over $5,000</td>
</tr>
<tr>
<td></td>
<td>Married - 2,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 1,000</td>
<td></td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>NONE</td>
<td>2.2% of taxable compensation, net profits, net gains or income, dividends, interest and winnings</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>Single - $1,000</td>
<td>19% of federal tax liability with modifications</td>
</tr>
<tr>
<td></td>
<td>Married - 2,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 1,000</td>
<td></td>
</tr>
<tr>
<td>South Carolina</td>
<td>Single - $800</td>
<td>Rates range from 2% on the first $2,000 of taxable income to 7% on income over $10,000</td>
</tr>
<tr>
<td></td>
<td>Married - 1,600</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Head of House-Hold - 1,600</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 800</td>
<td></td>
</tr>
<tr>
<td>South Dakota</td>
<td>NONE</td>
<td>NONE</td>
</tr>
</tbody>
</table>

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### PERSONAL INCOME TAXES BY STATE, 1979

<table>
<thead>
<tr>
<th>State</th>
<th>Personal Exemptions</th>
<th>Rate/Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tennessee</td>
<td>NONE</td>
<td>6% on dividends and interest; 4% on dividends from corporations who have 75% of their property taxable in Tennessee. (No personal income tax)</td>
</tr>
<tr>
<td>Texas</td>
<td></td>
<td>Rates for married persons filing jointly range from 2.75% on first $1000 of taxable income to 7.75% on income over $7,500.</td>
</tr>
<tr>
<td>Utah</td>
<td>Single - $1,000</td>
<td>Rates for single taxpayers and estates and trusts range from 2.25% of federal taxable income not over $750 to $214 plus 7.75% of federal taxable income over $4,500. Rates for married couples filing separately range from 2.75% of federal taxable income not over $750 to $178 plus 7.75% of federal taxable income over $3,750.</td>
</tr>
<tr>
<td></td>
<td>Married - 2,000</td>
<td>25% of federal income tax liability.</td>
</tr>
<tr>
<td></td>
<td>Dependent - 1,000</td>
<td></td>
</tr>
<tr>
<td>Vermont</td>
<td>Single - $1,000</td>
<td>Rates range from 2% on first $3000 of taxable income to 5.75% on income over $12,000.                                                   (No personal income tax)</td>
</tr>
<tr>
<td></td>
<td>Married - 2,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 1,000</td>
<td></td>
</tr>
<tr>
<td>Virginia</td>
<td>Single - $600</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Married - 1,200</td>
<td>Rates range from 2.1% on first $2000 of taxable income to 9.6% on income over $200,000.                                                   (No personal income tax)</td>
</tr>
<tr>
<td></td>
<td>Dependent - 600</td>
<td></td>
</tr>
<tr>
<td>Washington</td>
<td>Single - $600</td>
<td>Rates range from 3.4% on first $3000 of taxable income to 10% on income over $40,000.                                                     (No personal income tax)</td>
</tr>
<tr>
<td>West Virginia</td>
<td>Married - 1,200</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 600</td>
<td></td>
</tr>
<tr>
<td>Wisconsin</td>
<td>From Tax:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Single - $20.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Head of Family - 20.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Married - 40.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependent - 20.00</td>
<td></td>
</tr>
<tr>
<td>Wyoming</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: State Tax Handbook, 1979, (Commerce Clearing House)
## LOCAL GOVERNMENTS WITH INCOME TAX
### BY STATE, 1979

<table>
<thead>
<tr>
<th>State</th>
<th>Types of Local Gov'ts</th>
<th>No. of Local Gov'ts</th>
<th>Rates (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>City</td>
<td>1</td>
<td>.9 to 4.3</td>
</tr>
<tr>
<td>Alabama</td>
<td>Cities</td>
<td>5</td>
<td>1.0 or 2.0</td>
</tr>
<tr>
<td>Alaska</td>
<td>-</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Arizona</td>
<td>-</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Arkansas</td>
<td>-</td>
<td>01/</td>
<td>-</td>
</tr>
<tr>
<td>California</td>
<td>-</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Colorado</td>
<td>-</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Connecticut</td>
<td>-</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Delaware</td>
<td>City</td>
<td>1</td>
<td>1.0</td>
</tr>
<tr>
<td>Florida</td>
<td>-</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Georgia</td>
<td>-</td>
<td>02/</td>
<td>-</td>
</tr>
<tr>
<td>Hawaii</td>
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<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Idaho</td>
<td>-</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Illinois</td>
<td>-</td>
<td>0</td>
<td>-</td>
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<tr>
<td>Indiana</td>
<td>Counties</td>
<td>37</td>
<td>0.5 to 1.0</td>
</tr>
<tr>
<td>Iowa</td>
<td>School District</td>
<td>21</td>
<td>1.75 to 4.0</td>
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1/ Specific authority for first class cities to levy an income tax was enacted in 1971, subject to voter approval. To date no city income tax has been enacted.

2/ Specific authority for counties and municipalities to levy a 1 percent tax was enacted in 1975, subject to voter approval. To date no localities have levied the tax.

3/ Except for Detroit where the rate is 2.0 percent.

4/ Effective June 30, 1979, school districts may levy an income tax subject to voter approval at either 1/4 of 1 percent, 1/4 of 1 percent, or 1 percent. Such tax would be state administered and collected.

---

B-43
PROPERTY TAX RATES

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### Median Effective Property Tax Rates for Single Family Residents

**Selected Cities, 1976**

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</table>

3-46
### MEDIAN EFFECTIVE PROPERTY TAX RATES FOR SINGLE FAMILY RESIDENTS

**SELECTED CITIES, 1976**

<table>
<thead>
<tr>
<th>City &amp; State</th>
<th>Median Effective Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Minnesota</strong></td>
<td></td>
</tr>
<tr>
<td>Bloomington</td>
<td>2.06</td>
</tr>
<tr>
<td>Duluth</td>
<td>1.87</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>2.04</td>
</tr>
<tr>
<td>Rochester</td>
<td>1.47</td>
</tr>
<tr>
<td>St. Paul</td>
<td>2.78</td>
</tr>
<tr>
<td><strong>Mississippi</strong></td>
<td></td>
</tr>
<tr>
<td>Biloxi</td>
<td>1.25</td>
</tr>
<tr>
<td><strong>Missouri</strong></td>
<td></td>
</tr>
<tr>
<td>Columbia</td>
<td>1.26</td>
</tr>
<tr>
<td>Florissant</td>
<td>1.87</td>
</tr>
<tr>
<td>Independence</td>
<td>0.88</td>
</tr>
<tr>
<td>Kansas City (Clay Co pt)</td>
<td>1.16</td>
</tr>
<tr>
<td>Kansas City (Jackson Co.)</td>
<td>1.18</td>
</tr>
<tr>
<td>Kansas City (Platte Co.)</td>
<td>1.53</td>
</tr>
<tr>
<td>Springfield</td>
<td>1.12</td>
</tr>
<tr>
<td>St. Joseph</td>
<td>1.03</td>
</tr>
<tr>
<td>St. Louis</td>
<td>1.64</td>
</tr>
<tr>
<td><strong>Montana</strong></td>
<td></td>
</tr>
<tr>
<td>Billings</td>
<td>1.34</td>
</tr>
<tr>
<td>Great Falls</td>
<td>1.57</td>
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<tr>
<td><strong>Nebraska</strong></td>
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<tr>
<td>Lincoln</td>
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<tr>
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<tr>
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</tr>
<tr>
<td>Las Vegas</td>
<td>1.31</td>
</tr>
<tr>
<td>Reno</td>
<td>1.23</td>
</tr>
<tr>
<td><strong>New Hampshire</strong></td>
<td></td>
</tr>
<tr>
<td>Manchester</td>
<td>3.11</td>
</tr>
<tr>
<td>Nashua</td>
<td>2.55</td>
</tr>
<tr>
<td><strong>New Jersey</strong></td>
<td></td>
</tr>
<tr>
<td>Bloomfield</td>
<td>3.64</td>
</tr>
<tr>
<td>Camden</td>
<td>4.54</td>
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<td>1.70</td>
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<tr>
<td>Trenton</td>
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<td>Vineland</td>
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<td><strong>New Mexico</strong></td>
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</tr>
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<td>Albuquerque</td>
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<tr>
<td><strong>North Carolina</strong></td>
<td></td>
</tr>
<tr>
<td>Asheville</td>
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</tr>
<tr>
<td>Charlotte</td>
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<tr>
<td>Durham</td>
<td>1.40</td>
</tr>
<tr>
<td>Fayetteville</td>
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<tr>
<td>Greensboro</td>
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<tr>
<td><strong>North Dakota</strong></td>
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<tr>
<td>Fargo</td>
<td>1.51</td>
</tr>
<tr>
<td><strong>Ohio</strong></td>
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<tr>
<td>Akron</td>
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</tr>
<tr>
<td>Canton</td>
<td>1.00</td>
</tr>
<tr>
<td>Cincinnati</td>
<td>1.20</td>
</tr>
<tr>
<td>Cleveland</td>
<td>1.79</td>
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<tr>
<td>Cleveland Heights</td>
<td>2.20</td>
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<td><strong>Oklahoma</strong></td>
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<tr>
<td>Lawton</td>
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<td>Norman</td>
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<td>Oklahoma City</td>
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<td>Tulsa</td>
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### Median Effective Property Tax Rates for Single Family Residents

**Selected Cities, 1976**

<table>
<thead>
<tr>
<th>City &amp; State</th>
<th>Median Effective Rate</th>
<th>City &amp; State</th>
<th>Median Effective Rate</th>
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<tbody>
<tr>
<td>Oregon</td>
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<td>Virginia</td>
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</tr>
<tr>
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<td>2.31</td>
<td>Alexandria</td>
<td>1.38</td>
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<td>Portland</td>
<td>2.34</td>
<td>Chesapeake</td>
<td>1.29</td>
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<tr>
<td>Salem</td>
<td>2.45</td>
<td>Hampton</td>
<td>1.46</td>
</tr>
<tr>
<td>Pennsylvania</td>
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<td>Lynchburg</td>
<td>1.11</td>
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<td>Allentown</td>
<td>2.26</td>
<td>Newport News</td>
<td>1.28</td>
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<td>Altoona</td>
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<td></td>
<td></td>
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<tr>
<td>Bethlehem</td>
<td>2.00</td>
<td>Norfolk</td>
<td>1.03</td>
</tr>
<tr>
<td>Chester</td>
<td>1.31</td>
<td>Portsmouth</td>
<td>1.28</td>
</tr>
<tr>
<td>Erie</td>
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<tr>
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<td>Roanoke</td>
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<td>Bellevue</td>
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<td>Seattle</td>
<td>1.14</td>
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<td>Warwick</td>
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<td>Spokane</td>
<td>1.50</td>
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<td>Greenville</td>
<td>.88</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Dakota</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sioux Falls</td>
<td>2.04</td>
<td></td>
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<tr>
<td>Tennessee</td>
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</tr>
<tr>
<td>Chattanooga</td>
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<tr>
<td>Knoxville</td>
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<tr>
<td>Memphis</td>
<td>1.09</td>
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</tr>
<tr>
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<td>.99</td>
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<td></td>
</tr>
<tr>
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<td></td>
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<td>Amarillo</td>
<td>1.39</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Houston</td>
<td>1.04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utah</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ogden</td>
<td>1.16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provo</td>
<td>.97</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salt Lake City</td>
<td>.91</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* The median effective rate is calculated by multiplying the nominal rate by the median assessment ratio. It is expressed in percentage terms e.g. the median effective rate for Birmingham is .55 or a little more than one half of one percent of market value.

**Source:** Stephen E. Lile, "Interstate Comparisons of Family Tax Burden with Residence Location Based on State's Largest City" June 30, 1978.
SECTION C
HISTORICAL REVIEW OF MAJOR NEW YORK CITY TAX RATES, BASES AND REVENUES
<table>
<thead>
<tr>
<th>TAX</th>
<th>PAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York City General Corporation Tax</td>
<td>C-1</td>
</tr>
<tr>
<td>New York City Financial Corporation Tax</td>
<td>C-2</td>
</tr>
<tr>
<td>New York City Tax Rate on Unincorporated Business</td>
<td>C-3</td>
</tr>
<tr>
<td>New York City Sales Tax Rate</td>
<td>C-4</td>
</tr>
<tr>
<td>New York City Personal Income Tax Rate Schedules for Residents, 1966-79</td>
<td>C-5</td>
</tr>
<tr>
<td>New York City Earnings Tax on Non-Residents</td>
<td>C-6</td>
</tr>
<tr>
<td>New York City Real Estate Tax Rates 1966-79</td>
<td>C-7</td>
</tr>
<tr>
<td>New York City Tax Collections, Fiscal Years 1968-79</td>
<td>C-8</td>
</tr>
</tbody>
</table>
New York General Corporation Tax

<table>
<thead>
<tr>
<th>TAX RATES</th>
<th>TAX BASIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>JAN. 1966</td>
<td>JAN. 1971(b)</td>
</tr>
<tr>
<td>5.50%</td>
<td>6.7%</td>
</tr>
<tr>
<td>1 mill(a)</td>
<td>1 mill</td>
</tr>
<tr>
<td>5.5%</td>
<td>6.7%</td>
</tr>
<tr>
<td>$25</td>
<td>$25</td>
</tr>
<tr>
<td>0.5 mill</td>
<td>0.5 mill</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(a) Ch. 756, Laws 1967 provided for 1/4 mill on limited dividend housing companies; L.L. 17, Laws 1968, provided for 1/4 mill on limited dividend housing companies; effective 3/26/68, construed as effective since 5/2/67.

(b) L.L. 45, Laws 1971, effective 6/30/71, applicable to years beginning on or after 1/1/71.

(c) L.L. 41, Laws 1975, effective for taxable years beginning on or after 1/1/75 and ending on or before 12/31/75.

(d) Ch. 884, Laws 1975, effective 11/26/75 — extended rates beyond 1975 and increased minimum tax from $35 to $125.

Source: NYC Tax Laws
### NEW YORK CITY FINANCIAL CORPORATION TAX

<table>
<thead>
<tr>
<th>TAX RATES</th>
<th>TAX BASIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings Banks and Saving and Loan Associations</td>
<td></td>
</tr>
<tr>
<td>4.50%</td>
<td>5.63%</td>
</tr>
<tr>
<td>2.00%</td>
<td>2.50%</td>
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<tr>
<td>2.00%</td>
<td>2.00%</td>
</tr>
<tr>
<td>$10.00</td>
<td>$12.50</td>
</tr>
<tr>
<td>Commercial Banks and Other Financial Corporations</td>
<td></td>
</tr>
<tr>
<td>4.50%</td>
<td>5.63%</td>
</tr>
<tr>
<td>1 mill</td>
<td>1 ½ mill</td>
</tr>
<tr>
<td>$10.00</td>
<td>$12.50</td>
</tr>
</tbody>
</table>

(a) Basis upon which this rate applies was changed to: 1 ¼ mills upon each dollar of face value of issued capital stock, but if the stock is without par value, such stock shall be taxed at its actual or market value, and not less than $5.00 per share, as the gross income of such taxpayer derived from business carried on within the city bears to gross income derived from all business during the taxable year.

(b) There were two rate increases in FY 1975, with the law of November 26, 1975 establishing these higher rates.

Source: NYC Tax Laws

C-2
NYC Tax Rate on
Unincorporated Businesses

1966

Rate is 4% of the unincorporated business taxable income.

Credits are allowed against the tax as follows:
(a) If the tax is $100 or less, the credit is for the
  entire amount of the tax;
(b) If the tax is over $100, but less than $200, the
  credit is the difference between $200 and the tax;
(c) If the tax is $200 or more, there is no credit.

Tax Base

Beginning on January 1, 1971, the professions are
included in the definition of unincorporated businesses.

Exemptions

A $5,000 exemption without allocation is allowed.

Source: NYC Tax Laws
### New York City Sales Tax Rate

<table>
<thead>
<tr>
<th>Period</th>
<th>Rate and Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1959 to May 31, 1963</td>
<td>3% on most sales. 5% on restaurant meals and drinks costing $1 or more.</td>
</tr>
<tr>
<td>June 1, 1963 to July 31, 1965</td>
<td>4% on most sales. 5% rate extended to caterers.</td>
</tr>
<tr>
<td>Aug. 1, 1965 to June 30, 1975</td>
<td>Rate reduced to 3%.</td>
</tr>
<tr>
<td>July 1, 1975 to present</td>
<td>Rate increased to 4%.</td>
</tr>
</tbody>
</table>

Source: NYC Tax Laws

C-4
NYC Personal Income Tax
Rate Schedules for Residents, 1966-1979

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $1,000</td>
<td></td>
<td></td>
<td>Under $1,000</td>
<td></td>
</tr>
<tr>
<td>$1,000 to under $3,000</td>
<td>$4  + 0.4%</td>
<td>$7  + 0.7%</td>
<td>$1,000 to under $3,000</td>
<td>$9  + 0.9%</td>
</tr>
<tr>
<td>3,000 to under 6,000</td>
<td>$16 + 0.6%</td>
<td>$29 + 1.1%</td>
<td>3,000 to under 5,000</td>
<td>$37 + 1.4%</td>
</tr>
<tr>
<td>6,000 to under 10,000</td>
<td>$40 + 1.0%</td>
<td>$71 + 1.8%</td>
<td>5,000 to under 7,000</td>
<td>$73 + 2.0%</td>
</tr>
<tr>
<td>10,000 to under 15,000</td>
<td>$80 + 1.2%</td>
<td>$143 + 2.1%</td>
<td>7,000 to under 9,000</td>
<td>$113 + 2.3%</td>
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<tr>
<td>15,000 to under 20,000</td>
<td>$140 + 1.4%</td>
<td>$248 + 2.5%</td>
<td>9,000 to under 11,000</td>
<td>$159 + 2.5%</td>
</tr>
<tr>
<td>20,000 to under 25,000</td>
<td>$210 + 1.6%</td>
<td>$373 + 2.8%</td>
<td>11,000 to under 13,000</td>
<td>$209 + 2.7%</td>
</tr>
<tr>
<td>25,000 to under 30,000</td>
<td>$290 + 1.8%</td>
<td>$513 + 3.2%</td>
<td>13,000 to under 15,000</td>
<td>$263 + 2.9%</td>
</tr>
<tr>
<td>30,000 and up</td>
<td>$380 + 2.0%</td>
<td>$673 + 3.5%</td>
<td>15,000 to under 17,000</td>
<td>$321 + 3.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>17,000 to under 19,000</td>
<td>$383 + 3.3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>19,000 to under 21,000</td>
<td>$449 + 3.5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>21,000 to under 23,000</td>
<td>$519 + 3.8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>23,000 to under 25,000</td>
<td>$595 + 4.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>25,000 and up</td>
<td>$675 + 4.3%</td>
</tr>
</tbody>
</table>

Note: To calculate the tax for any taxable income, add the dollar amount shown for the taxable income class to the rate multiplied by the amount of income in excess of the minimum for the rate. For example, for a taxable income of $18,000, the tax would be:

1966-1970  $140 + 1.4% of $3,000 = $182
1971-1975  $248 + 2.5% of $3,000 = $323
1976-1978  $383 + 3.3% of $1,000 = $416

Source: NYC Tax Laws

C-5
NEW YORK CITY EARNINGS TAX
ON NON-RESIDENTS

In computing the amount of wages and net earnings from self-employment subject to this tax, an exclusion is allowed as follows:

<table>
<thead>
<tr>
<th>Total Wages and Net Earnings</th>
<th>Exclusion Allowable</th>
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</thead>
<tbody>
<tr>
<td>Over $10,000 but Not Over $10,000</td>
<td>$3,000</td>
</tr>
<tr>
<td>$10,000</td>
<td>20,000</td>
</tr>
<tr>
<td>20,000</td>
<td>30,000</td>
</tr>
<tr>
<td>30,000</td>
<td>None</td>
</tr>
</tbody>
</table>

Rate:
1966-1970: 1/4 of 1% on wages
3/8 of 1% on net earnings from self-employment
1971-1979: 45/100 of 1% on wages
65/100 of 1% on net earnings from self-employment

Maximum Tax: The amount due on this tax may not be greater than the amount of tax which would be due under the resident personal income tax.

Exemptions: None, other than those noted above.

Source: New York City Tax Laws
<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Rate Per $100 of Assessed Valuation</th>
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<td>4.560</td>
</tr>
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<td>1967</td>
<td>4.957</td>
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<tr>
<td>1968</td>
<td>5.147</td>
</tr>
<tr>
<td>1969</td>
<td>5.218</td>
</tr>
<tr>
<td>1970</td>
<td>5.519</td>
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<tr>
<td>1971</td>
<td>5.889</td>
</tr>
<tr>
<td>1972</td>
<td>5.970</td>
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<td>1973</td>
<td>6.518</td>
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<td>1974</td>
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<td>1975</td>
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<td>1976</td>
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<td>1978</td>
<td>8.750</td>
</tr>
<tr>
<td>1979</td>
<td>8.750</td>
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Source: Annual Reports of the Comptroller, City of New York
# NEW YORK CITY TAX COLLECTIONS, FISCAL YEARS 1968-1979

(Millions of Current Dollars)

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Source: Annual Reports of the Comptroller, City of New York

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*Total Local Tax Revenue includes all major and minor NYC taxes. Only major taxes appear in the table.
SECTION D
MAJOR LEGISLATIVE TAX ACTIONS BY STATE, 1979
Section D reviews major legislative tax actions by state that have resulted in reducing the total tax burden on business or individuals.

SUMMARY

Tax actions vary by state, however, most of the legislative acts can be categorized in the following manner:

- Tax Credits/Incentives
- Tax Rate Reductions
- Tax Stabilization Programs
- Tax Eliminations
- Tax Abatements
- Tax Exemptions
- Tax Stabilization Programs
- Recognizing Federal Tax Initiatives such as Subchapter S
ARIZONA

- A 1979 tax relief package included a 15 percent across the board reduction in assessed values of property and a $15 million reduction in the state property tax levy.

CALIFORNIA

- The California legislature eliminated the state's unpopular business inventory tax. Businesses previously paid property tax on 50 percent of their inventories.

- State income taxes are to be cut an estimated $500 million over the next two years and income taxes are are to be indexed to prevent workers who receive cost-of-living salary increases from automatically being pushed into higher tax brackets.

- The bank and corporate tax rate was raised from nine to 9.6 percent.

COLORADO

- The Job Expansion and Investment Credit Act of 1978 was extended. The time period in which a new business facility must have been acquired or completed to qualify for this credit was extended to December 31, 1983. The minimum number of new employees required to qualify was reduced from five to two. (This Act provides a credit against state income taxes of $50 for each new employee and $50 for each $100,000 of investment in a new business facility. The credit is doubled to $100 each in counties with less than 50,000 population. The credit is limited to 50 percent of state income tax liabilities, and may be taken for a 10-year period following commencement of the new business facility operations.)

- An investment tax credit allows a credit against state income tax of 10 percent of the amount of the federal investment tax credit for property used in Colorado. This credit is limited to the extent of any tax liability (after deducting the Job Expansion tax credit) up to $5,000, and to 25 percent of the portion of tax liabilities in excess of $5,000. Any excess investment tax credit may be carried back or forward to other tax years.
• Purchases greater than $1,000 of machinery or machine tools to be used in Colorado for manufacturing were exempted from the state sales and use tax. The maximum amount of such purchases allowed under this exemption in any one year increases by $100,000 per year, from $100,000 in 1979, to $500,000 in 1983 and subsequent years.

• An inventory tax credit phases in a credit or refund against state income taxes based on the amount of local property tax paid on business inventories. The credit is 20 percent of the amount of local inventory taxes paid in 1979, and increases by 20 percent each year, to 100 percent of local property taxes on inventories in 1983 and subsequent years.

CONNECTICUT

• Connecticut enacted a measure enabling cities of 35,000 or more population to enter into a seven-year local tax agreement with developers and industry to fix the assessment of real property, air space and improvements. The list of qualified improvements includes offices, manufacturing plants, warehouses and distribution facilities.

• The state enacted a tax credit against the corporation business tax for apprenticeship training in the machine tool and metal trades. The amount is up to $3,000 per apprenticeship or up to 50 percent of wages.

DELAWARE

• Delaware enacted a business expansion tax incentive. Corporate income tax credits are available for any new business facility which, by expanding, employs 25 new people or invests at least $1 million in a new facility. The Credit is $75 for each new regular, full-time employee, or $185 for each new $100,000 spent in "new business facility investment." The credit is in effect from June 30, 1979 to July 1, 1984. Rented facilities are also eligible for the credit. Value of the rented facility is eight times the net annual rental rate, less any amount received from sub-rentals.

• The state also enacted a reduction in the gross receipts license tax. The reduction is higher at the start-up of a new business operation and decreases gradually over a 10-year period. The range is from 90 percent during the first year of operation to zero after 10 years.
FLORIDA

- The Florida Legislature exempted the purchase of solar energy components and parts from sales and use tax. Manufacturers were also exempted from the sales tax on boiler fuels used in the manufacturing process.

ILLINOIS

- All personal property (inventories, machinery, etc.) became exempt from property taxes on January 1, 1979.

  The scope of the sales tax exemption for manufacturing machinery was expanded.

INDIANA

- The intangibles tax will be phased out over a 15-year period, beginning January 1, 1980.

- A new act provides for a property tax reduction for resource recovery systems equal to 95 percent of the system’s assessed value and provides for a corporate gross income tax deduction equal to the federal depreciation deduction.

- Exempted from the sales and use tax where the keeping, retaining or exercising of rights over property which is delivered to a person in Indiana for the sole purpose of processing, printing, fabricating or manufacturing and then is subsequently shipped out of state. The measure was effective July 1, 1979.

- Existing legislation on partial property tax abatement was expanded. New legislation allows for a 10-year partial property tax abatement in designated areas in all cities and towns in Indiana for the renovation or new construction of facilities.

IOWA

- A new local option measure permits a five-year graduated property tax abatement for new industry and expansions.

- Another new law allows cities to grant property tax exemptions for improvements on commercial, industrial and residential properties in designated blighted urban areas.
KANSAS

• In Kansas, utilities were exempted from the state sales tax by 1979 legislation.

KENTUCKY

• The five percent sales tax was removed from utility services.

LOUISIANA

• A 1979 Louisiana law provides for a $100 corporate income tax credit for each new job created by industries who establish or expand business enterprises in the state.

• The one-time tax credit is not to exceed 50 percent of a firm's corporate income tax liability. The credit is applicable only in the year in which the business enterprise was created or expanded.

• Corporations may now deduct net operating losses from state income tax for up to five years immediately following the year in which the loss occurred.

MARYLAND

• Maryland repealed the two percent sales and use tax on manufacturing and agricultural machinery and equipment.

• Legislative proposals for 1980 include a property tax exemption for pollution control equipment and permission for counties or incorporated municipalities to participate in tax increment financing for their redevelopment efforts.

MASSACHUSETTS

• The tax on capital gains will be reduced over the next two years. For 1980, a deduction of 20 percent from gross income will be allowed for net capital gains. For 1981, the deduction will be 40 percent, and after that, the federal income tax deduction for capital gains, which is currently 60 percent, will be adopted.

MINNESOTA

• The top income tax bracket of 17 percent was eliminated and personal and dependent credits were increased, as was the standard deduction.
MISSOURI

- A 1979 law provides for a general reduction in unemployment insurance contribution rates paid by Missouri employers. For the first time since 1975, many employers (approximately one in five) will be eligible for zero tax rates.

MONTANA

- The property tax on water pollution control equipment was reduced 65 percent (to match the reduction previously allowed on air pollution control equipment).

NEBRASKA

- A decrease in the state income tax rate from 18 to 17 percent of the individual taxpayer's federal income tax liability results in a corresponding decrease in the corporate income tax rate. The present 4.5 percent rate on the first $25,000 will be reduced to 4.25 percent and from 4.95 percent on revenues above $25,000 to 4.675 percent.

NEVADA

- The legislature passed and Gov. List signed a bill lowering property taxes 27 percent and eliminating the personal property tax on household goods.

NEW MEXICO

- Effective January 1, 1980, a new Investment Tax Credit Act allows a tax credit up to 3.75 percent of value of manufacturing equipment purchased.

NORTH CAROLINA

- Legislators approved a state tax cut of $78.2 million over two years. The measure includes reductions in the inheritance tax and state intangibles tax and increased dependent exemptions.

NORTH DAKOTA

- Tax legislation included a repeal of the business privilege tax effective in 1981 and a new coal severance tax.
OHIO

- Also pending is legislation to provide incentives for businesses locating in inner-city areas of high unemployment and employers who hire workers unemployed for 10 weeks or more.

OREGON

- A $705-million income and property tax cut became law. Included in the tax cut package are provisions for the state to pay 30 percent of property taxes on each owner-occupied home with equivalent relief to renters; a $70-million income tax rebate amounting to nine percent of an individual's 1978 income tax payment; an increase in the personal exemption from $750 to $1,000 and in the allowable maximum deduction for federal tax payments from $5,000 to $7,000. The cut also provides for a limit on increases in state general funds returned to the taxpayers; and a limit on increases in assessed values based on statewide averages.

SOUTH CAROLINA

- Enacted in 1979 was a law allowing new businesses to carryover operating losses for a period of seven years. All other businesses are allowed a five-year carryover period.

SOUTH DAKOTA

- The sales tax increase scheduled to go into effect January 1, 1980, was repealed. The sales tax would have increased from four to five percent. The sales and use tax now includes services.

TEXAS

- Tax exemption for intangibles was approved under a tax relief law. This exemption is extended to include stocks and bonds.

VERMONT

- A tax stabilization contract option, available to all municipalities, can reduce taxes up to 10 years.
WISCONSIN

- Legislation resulted in tax cuts totaling $942.3 million over the next two years.

- The phase-out of the manufacturers' inventory tax is continuing. The tax will be non-existent by 1981.

- Effective for the 1979 tax year is a tax credit equal to 12 percent of property taxes or rent constituting property taxes.

- Other laws recognize Subchapter S corporations for tax purposes and amend the sales factor of the income tax apportionment formula.