



Proposed Cap Does Not Address New York's Property Tax "Problem"

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An analysis of the US Census Bureau's American Community Survey (ACS) microdata confirms that hundreds of thousands of low, moderate and middle income families in New York State are already paying an inordinate share of their income in property taxes on their primary residences. The situation in which these families find themselves will not be addressed by the proposed cap on the growth of local governments' property tax levies. Only a middle-class Circuit Breaker bill can provide effective relief for these families in a targeted and cost-efficient manner.

In his advocacy for the proposed property tax cap, Governor Cuomo uses a number of median values from the same Census Bureau survey—that is, he uses summary data. It is possible to take a more thorough look using the Public Use Microdata available from the Census Bureau, which provides a sample of the actual responses to the ACS. This microdata allows researchers to prepare customized tabulations that can be used for more detailed analysis.

Our analysis of the ACS microdata focuses on the 2.1 million home-owning households in New York State that, in 2009:

- (a) Met the 5-year residency requirements of the middle-class Circuit Breaker bills introduced in the Senate and Assembly,¹ and
- (b) Had incomes of \$100,000 or less.

Overall, 32 percent of these 2.1 million households reported paying more than ten percent of their income in property taxes. That's over 675,000 households.

Not surprisingly, the lower the income range, the greater the percentage of households in the double-digit property tax category. In particular:

- In the \$50,000 to \$100,000 income range, 18 percent of the households meeting the 5-year residency requirement paid more than ten percent of their income in property taxes. This represented about 185,000 households.
- In the \$25,000 to \$50,000 income range this percentage was 35 percent. This represented about 220,000 households.
- In the \$25,000 and less income range, 64 percent or almost two-thirds of the home-owning households paid more than ten percent of their income in property taxes. This represented over 270,000 households. And about 170,000 of these households had property tax bills that represented 20 percent or more of their income.

These are the households—paying as they are such an inordinate share of their income in property taxes—that are most in danger of being forced out of their homes. A cap on the

growth in property tax levies does not address the problems that these families face. A targeted middle class Circuit Breaker does.

About the American Community Survey

The ACS is a survey of households that is conducted annually by the Census Bureau. This annual survey has, in effect, replaced what used to be the "long form" of the decennial census. The ACS began in 2000 in 31 test sites around the country. It was expanded in 2002 to cover most areas with a population of 250,000 or more, and selected areas of 65,000 or more; in 2005 to cover most areas with a population of 65,000 or more; and in 2007 to cover virtually all areas in the United States with populations of 65,000 or more. The Census Bureau has also pooled the survey results for three-year periods beginning with the 2005 through 2007 period and publishes the results for these three-year periods for geographic areas of 20,000 or more. And, most recently, the Census Bureau has pooled the survey results for the five years from 2005 through 2009, and published the results for virtually all geographic areas including those not included in the one-year estimates and three-year estimates previously published.

Governor Cuomo and the American Community Survey

In the sections of his PowerPoint presentations devoted to the proposed property tax cap, Governor Andrew Cuomo frequently cites Tax Foundation calculations and rankings of data related to residential property taxes. The Tax Foundation's calculations and rankings, in turn, are based on data from the U.S. Census Bureau's American Community Survey (ACS).

For its calculations and rankings, the Tax Foundation utilizes three statistical estimates published by Census Bureau on the basis of the American Community Survey responses of home-owning households:

- (a) Median real estate tax paid on owner-occupied housing units;
- (b) Median value of owner-occupied housing units; and
- (c) Median household income of the households that live in owner-occupied housing units.

The Tax Foundation then calculates two additional estimates:

- (d) "Taxes as a Percent of Home Value" by dividing (a) by (b), and
- (e) "Taxes as Percent of Income" by dividing (a) by (c).²

Some users of the Tax Foundation's calculations refer to data elements (d) and (e) as median effective tax rates. This, however, is not the case. As the Tax Foundation explains in its "Frequently Asked Questions about the Tax Foundation's Property Tax Statistics" (<http://interactive.taxfoundation.org/propertytax/FAQ.html>): "...the two statistics that are calculated by the Tax Foundation (tax as a percentage of home value and tax as a percentage of homeowner income) are not exact median statistics themselves given that it's possible for one with a higher income to pay smaller real estate taxes than a lower income person..." Not only is this possible but it is quite common; and, even more

common is the fact that higher income households, on average, pay a smaller percentage of their income in property taxes than do lower income households.

Fortunately, this variation can be explored and analyzed since the Census Bureau, in addition to publishing its estimates of the median values of variables like real estate taxes paid, also makes what is called "microdata" available for public use. The "Public Use Microdata Sample" files, or PUMS, are a sample of the actual responses to the American Community Survey and include most population and housing characteristics. These files provide users with the flexibility to prepare customized tabulations and can be used for detailed research and analysis. (These) files have been edited to protect the confidentiality of all individuals and of all individual households."³

While comparing the Census Bureau's estimate of median real estate taxes paid by New York's home-owning households to the median income of those households allows the Tax Foundation to calculate its "taxes as a percent of income" estimate of 5.02 percent for 2009,⁴ an analysis of the microdata made available by the Census Bureau allows us to see how much variation there is around this 5.02 percent figure. And our analysis of that data confirms that hundreds of thousands of New Yorkers are paying double-digit percentages of their income in property taxes.

Endnotes

¹ These bills include A877/S137 by Assemblywoman Galef and Senator Little; A5542A/S912A by Assemblyman Engelbright and Senator Krueger; A1912/S1796 by Assemblyman Jeffries and Senator Montgomery; and A7673/S4171 by Assemblywoman Jaffee and Senator Bonacic.

² The Tax Foundation also does rankings of both states and counties based on each of these two calculated variables and on the basis of the Census Bureau data on median real estate taxes. These calculations and rankings are available on the Tax Foundation's website for states for the 1-year ACS data for each of the six years from 2004 through 2009; and for counties for the 1-year ACS data for each of the five years from 2005 through 2009, for the 3-year ACS data for each of the three 3-year periods for which the Census Bureau has made the results of this pooled data available (2005 through 2007, 2006 through 2008, and 2007 through 2009).

³ http://factfinder.census.gov/home/en/acs_pums_2009_1yr.html. More information on the ACS microdata is available at:

http://www.census.gov/acs/www/data_documentation/public_use_microdata_sample/.

⁴ <http://www.taxfoundation.org/taxdata/show/1913.html>. For 2009, New York State, according to the Tax Foundation's calculations, had the sixth highest "taxes as a percent of income" (5.02%) after New Jersey (7.45%), New Hampshire (6.34%), Vermont (5.55%), Connecticut (5.51%), and Illinois (5.11%). These measures provide a good example of the selective use of the Tax Foundation's calculations in Governor Cuomo's PowerPoint presentations. The version of "The People First Campaign" PowerPoint presentation that is posted on the Governor's website at

<http://governor.ny.gov/sites/default/files/PeopleFirstTourPowerPoint-5103pmfinal.pdf>

asserts that New York's property taxes are the "highest in the nation" and cites a number of Tax Foundation calculations to "prove" that point. Notably, the Governor's presentation omits the fact that the Tax Foundation ranks New York State 6th in terms of "taxes as a percent of income;" 4th in terms of "median property taxes paid on homes;" and 17th in terms of "taxes as a percent of home value." But debating whether New York has the highest property taxes in the country or the 4th or 6th or 17th highest misses the essential problem with the property tax system—that hundreds of thousands of New York families are paying inordinate portions of their incomes in property taxes.

The Fiscal Policy Institute (www.fiscalpolicy.org) is an independent, nonpartisan, nonprofit research and education organization committed to improving policies and practices to better the economic and social conditions of all New Yorkers. Founded in 1991, FPI works to create a strong economy in which prosperity is broadly shared.

Over 675,000 New York Households Pay 10% or More of Their Income in Property Taxes. A Quarter Million Pay 20% or More.

Households Income Ranges	Estimated Number of Households Whose Property Taxes Paid in 2009 Were:				Total Number of Households in Income Range
	Less Than 10% of Income	10% to 19.99% of Income	20% or More of Income*	10% or More of Income	
\$25,000 or Less	150,496	101,851	170,472	272,323	422,819
Above \$25,000 but Not Above \$50,000	404,899	149,117	71,124	220,241	625,140
Above \$50,000 but Not Above \$100,000**	859,739	N/A	N/A	184,423	1,044,162
TOTAL: All \$100,000 or Less	1,415,134	354,043	241,596	676,987	2,092,121

SOURCE: Fiscal Policy Institute analysis of microdata from the US Census Bureau's 2009 American Community Survey. Estimates shown are for homeownership households that meet the 5 year residency requirement in the Galef/Little and Krueger/Engelbright Circuit Breaker bills.

*This column for the \$25,000 or less income category includes 15,945 households with zero or negative income that paid property taxes in 2009. **The subtotal of all households in this income range that reported paying 10% or more of income in property taxes in 2009 includes (a) 103,075 households that paid between 10% and 19.99% of income in property taxes; and (b) 81,348 additional households that paid \$10,000 or more in property taxes but who, because of top coding of the ACS question on real estate taxes, can not be apportioned between the "10% to 19.99% of income" property tax category and the "20% or more of income" property tax category.

Nearly Half of New York Households with Incomes of \$50,000 or Less Pay 10% or More of Their Income in Property Taxes.

Households Income Ranges:	Estimated Share of Households Whose Property Taxes Paid in 2009 Were:			
	Less Than 10% of Income	10% to 19.99% of Income	20% or More of Income*	10% or More of Income
\$25,000 or Less	36%	24%	40%	64%
Above \$25,000 but Not Above \$50,000	65%	24%	11%	35%
Above \$50,000 but Not Above \$100,000**	82%	N/A	N/A	18%
TOTAL: All \$100,000 or Less	68%	N/A	N/A	32%

SOURCE: Fiscal Policy Institute analysis of microdata from the US Census Bureau's 2009 American Community Survey. Estimates shown are for homeownership households that meet the 5-year residency requirement in the Galef/Little and Krueger/Engelbright Circuit Breaker bills.

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 **The subtotal of all households in this income range paying 10% or more of income in property taxes in 2009 includes (a) 103,075 households that paid between 10% and 19.99% of income in property taxes; and (b) 81,348 households that paid \$10,000 or more in property taxes and who, because of top coding, cannot be apportioned between the "10% to 19.99% of income" property tax category and the "20% or more of income" property tax category.