



NEW YORK CITY COMPTROLLER
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THE INCREASING CONCENTRATION OF HIGH- INCOME NONRESIDENTS IN THE NEW YORK ECONOMY

New York City Comptroller's Office
Budget Bureau

A Tax Analysis of High-Income Earners in New York State



For the first time, the New York City Comptroller's Office has empirically documented the expanding presence of high-income nonresidents in the New York economy.



The following analysis uses state and federal income tax data to show that over the past decade a larger number and proportion of high-income individuals are earning income in the New York economy but living elsewhere.



The growing concentration of New York-sourced income in the hands of people who do not call New York home raises numerous questions about tax policy, transparency, and the long-term impact on the local economy and the character of the community.

Who is and isn't a New York Resident?

Nonresidents are in New York less than half the Year, even if Maintaining a New York Home

NEW YORK CITY RESIDENT

MAINTAINS NYC RESIDENCE
& LIVES IN NYC 184+ DAYS



NEW YORK STATE RESIDENT

MAINTAINS NYS RESIDENCE
& LIVES IN NYS 184+ DAYS



NONRESIDENT

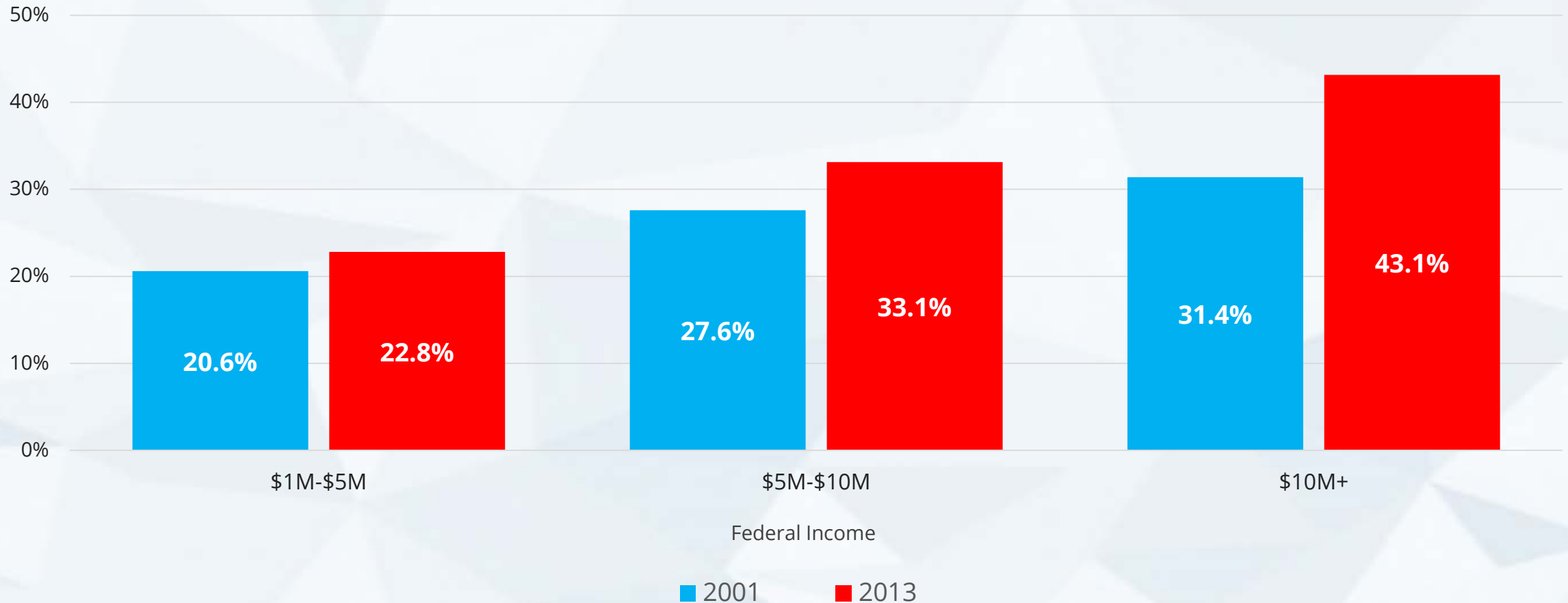
NO NY RESIDENCE, OR MULTIPLE
RESIDENCES & < 184 DAYS IN NYS



1. For tax purposes, individuals who maintain more than one permanent residence, both in and out of New York, are residents of New York State if they spend 184 days or more, or any part of 184 days, in the state and own or lease a year-round domicile for more than 11 months of the year.
2. For those with multiple homes, the state applies a range of criteria in determining an individual's place of residence. The same criteria are used to determine New York City residency.
3. A fuller description of criteria is available at: https://www.tax.ny.gov/pdf/mis/nonresident_audit_guidelines_2014.pdf

At Incomes Above \$10M, more than 40% of U.S. Taxpayers had New York State Income in 2013

Share of U.S. Taxpayers Reporting New York State Income in 2001 and 2013
(Including Residents and Nonresidents)

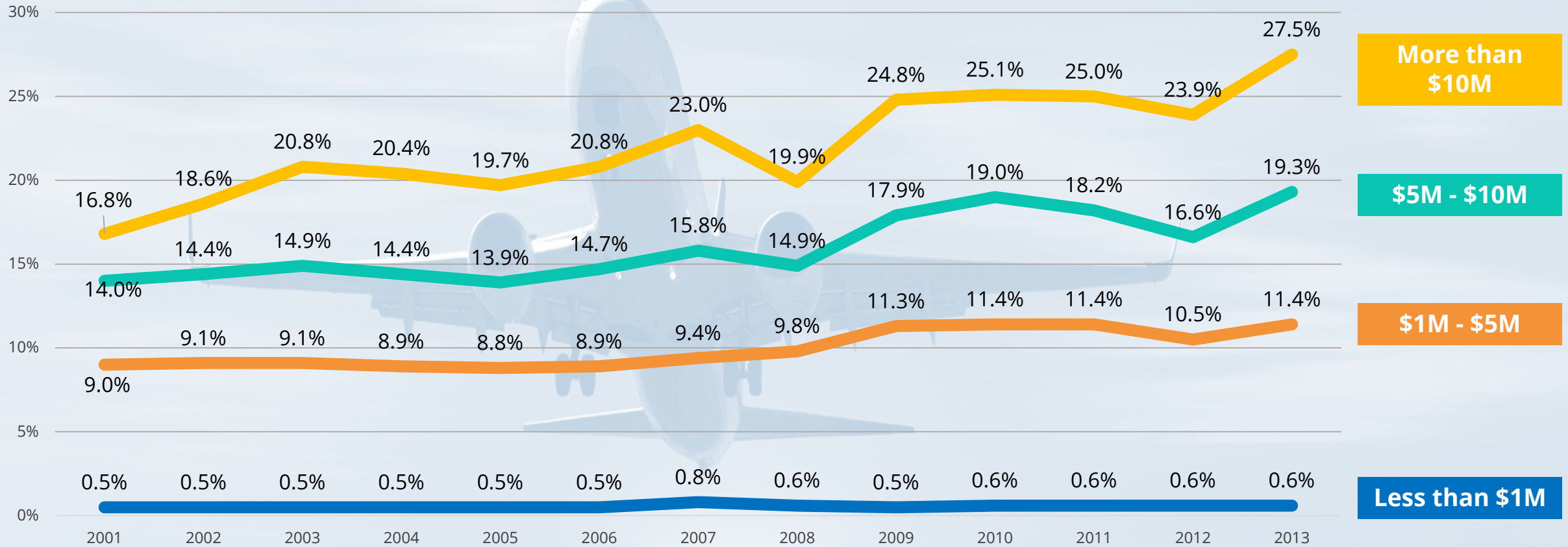


Source: New York data from 2001 and 2013 PIT Study Files, U.S. data from I.R.S. Statistics of Income



New York's Increased Share of Nation's Top Earners has been Driven by Nonresident Taxpayers

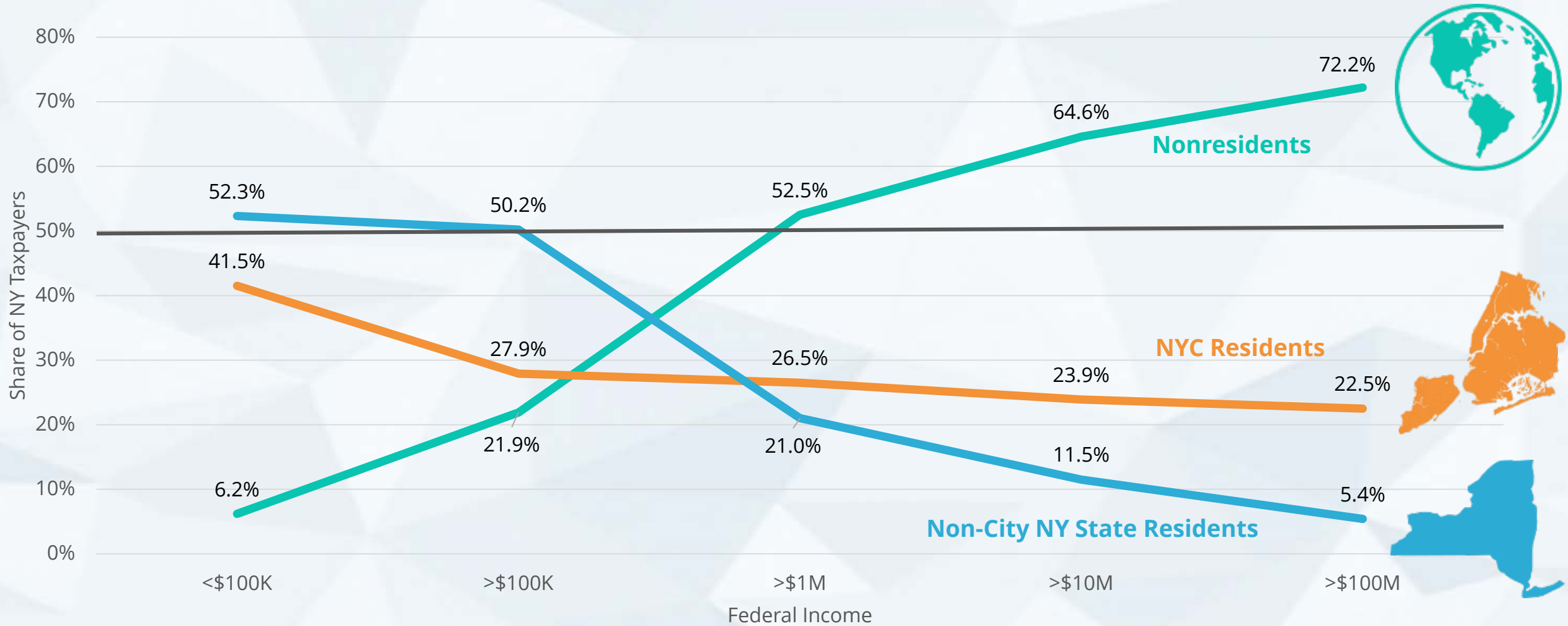
New York State Nonresident Taxpayers' Share of U.S. Taxpayers from 2001 to 2013 by Federal Income Level



Source: New York data from 2001 to 2013 PIT Study Files, U.S. data from I.R.S. Statistics of Income



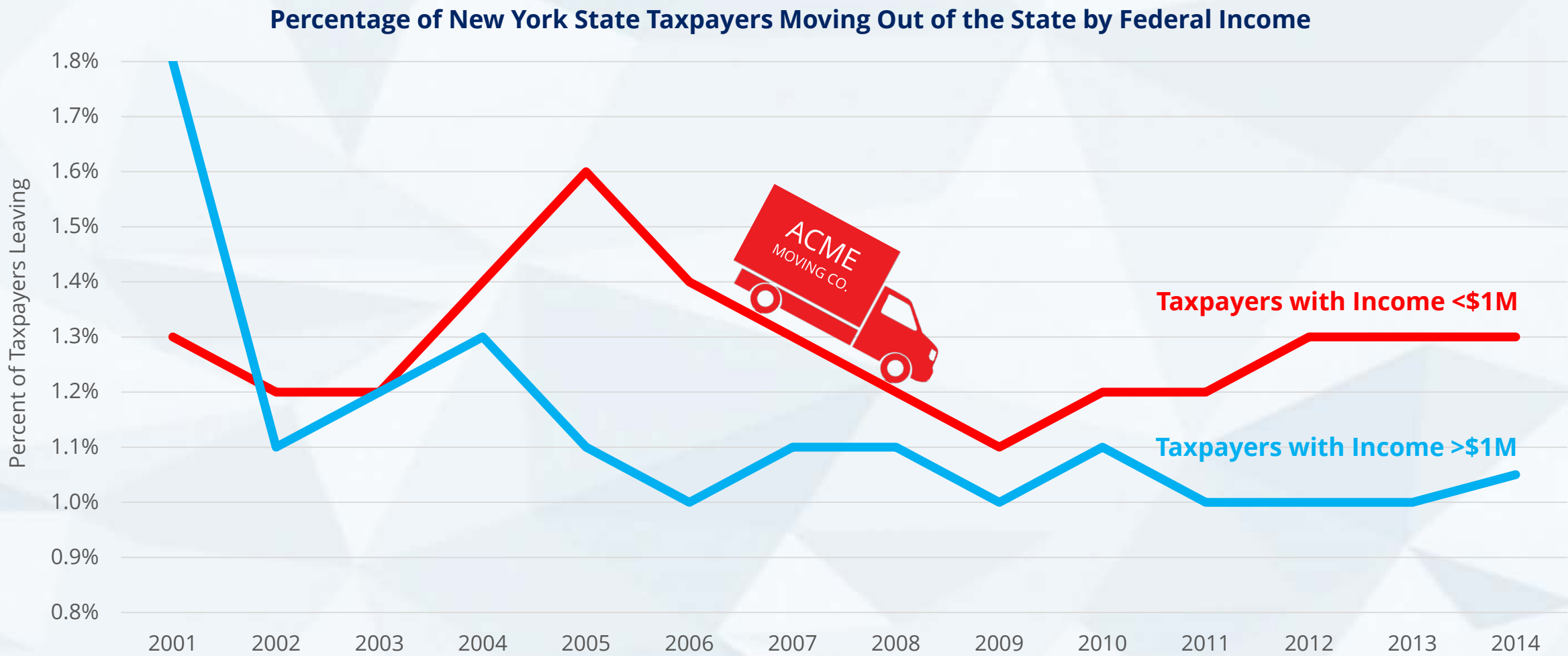
In 2014, more than half of New York Taxpayers Who Earned Above \$720,000 were Nonresidents



Source: New York data from 2014 PIT Study File



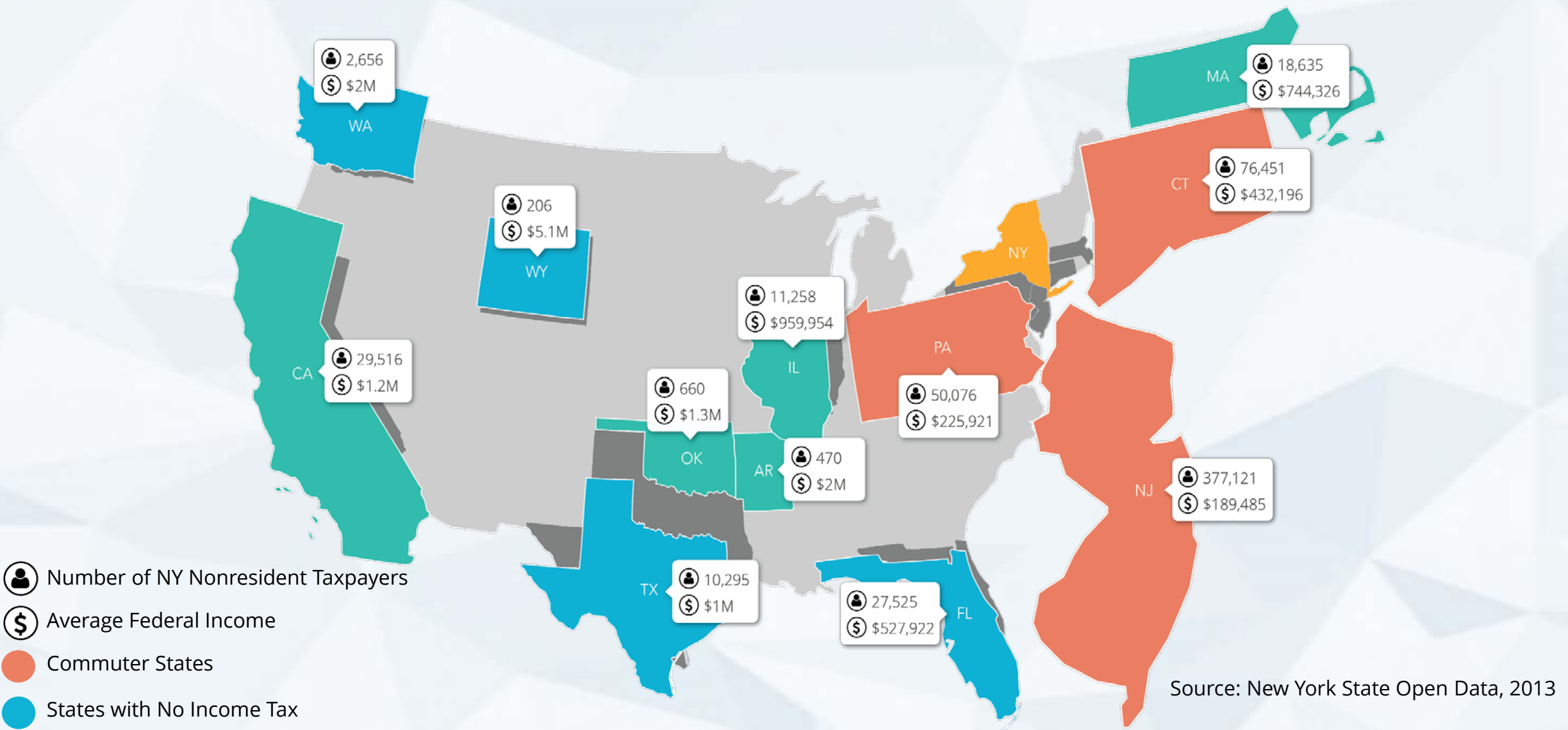
The Increase of High-Income Nonresidents does not mean that High-Income Residents are Leaving. In fact, they are less Likely to Leave.



Source: New York data from 2001 to 2014 PIT Study Files



Long-Distance Nonresident Taxpayers have Higher Average Incomes than Commuters



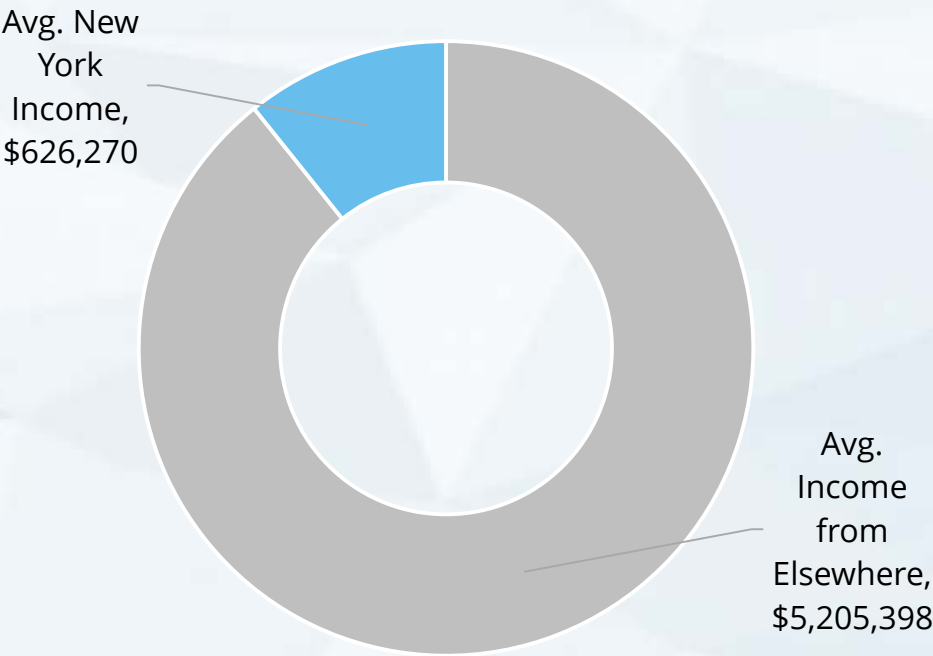
Source: New York State Open Data, 2013

Nonresident Taxpayers Earned \$90B in New York State in 2014

High-income nonresidents earn most of their income from out of state.

But collectively nonresident taxpayers' New York income still added up to \$90B in 2014.

For New York Nonresident Taxpayers With More Than \$1M, 11% of Income was Earned in New York in 2014.

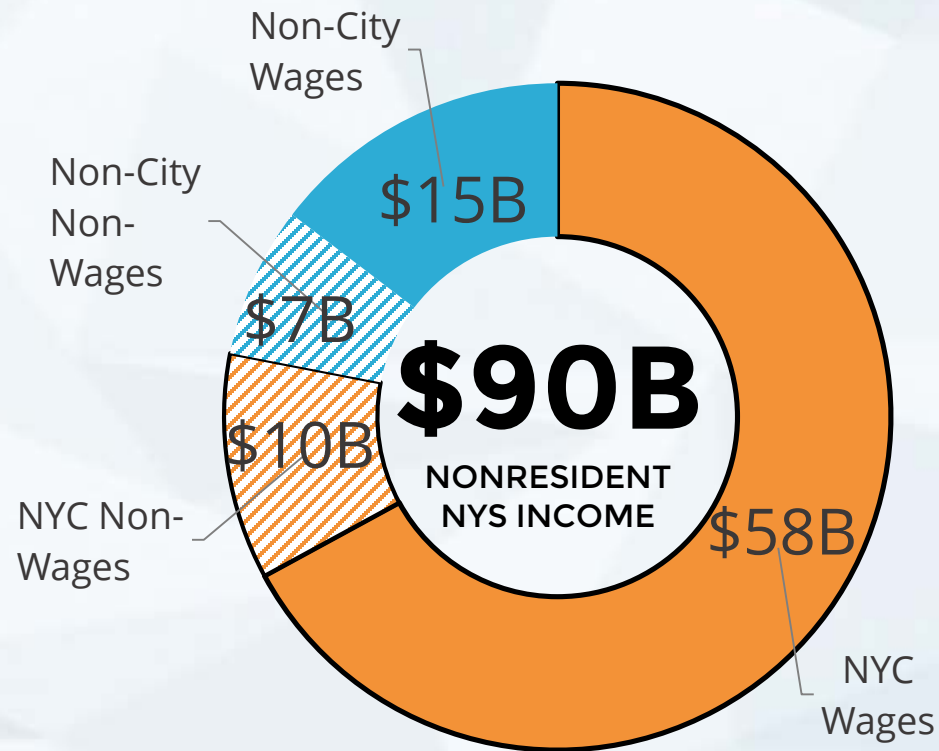


\$90B
NYS TOTAL

Source: New York data from 2014 PIT Study File



Nonresidents Earned an Estimated \$68 Billion in New York City in 2014



KEY DATA USED TO ESTIMATE NYC SHARE

According to the 2014 American Community Survey, roughly 83 percent of New York workers residing out of state work in NYC. In 2014, roughly 60 percent of total interest, dividend and capital gains income earned in NY State was earned by NYC residents.

Source: Comptroller's Office Analysis of New York 2014 PIT Study File



The Rise of High-Earners has Implications for our Economy, Tax Policy, and Transparency in Economic Activity



NY ECONOMY

Increased role of New York's economy in national income generation makes federal investments in New York infrastructure more important

Greater need to invest in security, transportation, and housing



TAX POLICY

Need to study the tax system to ensure fairness and equity

Important to understand full impacts on tax competitiveness with other jurisdictions and income mobility



TRANSPARENCY

Increased transparency is needed to understand complete scope of nonresident economic activity

Disclosure laws on ownership of property and businesses should be expanded



**Additional data and information
included in the following Appendix.**



Determining Residency Status for New York State Income Taxes

For tax purposes, individuals who maintain more than one permanent residence, both in and out of New York, are residents of New York State if they spend 184 days or more, or any part of 184 days, in the state and own or lease a year-round domicile for more than 11 months of the year.

For those with multiple homes, the State applies a range of criteria in determining an individual's place of residence, including nature and use of homes, business activity involvement, and family connections.

Tax auditors must prove that someone who owns or rents a housing unit in the state and spends 184 days or more in New York also actually lives in the dwelling. *Matter of John Gaied v. Tax App. Trib.*, 2014 NY Slip Op. 1101 (N.Y. Ct. App. Feb. 18, 2014).

Individuals who change their permanent residence during the year, moving either into or out of New York, are considered part-year residents, and must file New York State tax returns and pay New York State income tax on income from New York sources.



New York State Taxpayers' Share of U.S. Taxpayers, 2001

						Share of U.S. Taxpayers			
Federal Income	All U.S. Taxpayers	Nonresidents	Non-City New York State Residents	New York City Residents	All New York Taxpayers	Nonresidents	Non-City New York State Residents	New York City Residents	All New York Taxpayers
Less than \$100,000	119,218,822	373,970	4,247,658	2,956,031	7,577,659	0%	4%	2%	6%
\$100,000-\$200,000	8,469,199	126,856	417,409	181,998	726,263	1%	5%	2%	9%
\$200,000-\$1,000,000	2,373,989	87,989	123,707	72,853	284,549	4%	5%	3%	12%
\$1,000,000-\$5,000,000	174,128	15,750	10,354	9,788	35,892	9%	6%	6%	21%
\$5,000,000-\$10,000,000	12,266	1,718	742	923	3,383	14%	6%	8%	28%
More than \$10,000,000	6,836	1,147	403	596	2,146	17%	6%	9%	31%
Total	130,255,237	607,430	4,800,274	3,222,188	8,629,892	0%	4%	2%	7%

Source: New York data from 2001 PIT Study File, U.S. data from I.R.S. Statistics of Income



New York State Taxpayers' Share of U.S. Taxpayers, 2013

						Share of U.S. Taxpayers			
Federal Income	All U.S. Taxpayers	Nonresidents	Non-City New York State Residents	New York City Residents	All New York Taxpayers	Nonresidents	Non-City New York State Residents	New York City Residents	All New York Taxpayers
Less than \$100,000	125,367,608	453,037	4,020,122	3,156,182	7,629,341	0%	3%	3%	6%
\$100,000-\$200,000	16,425,446	197,029	720,959	355,854	1,273,842	1%	4%	2%	8%
\$200,000-\$1,000,000	5,212,361	185,608	236,811	157,543	579,962	4%	5%	3%	11%
\$1,000,000-\$5,000,000	311,633	35,257	15,970	18,992	70,219	11%	5%	6%	23%
\$5,000,000-\$10,000,000	21,412	4,112	1,042	1,843	6,997	19%	5%	9%	33%
More than \$10,000,000	12,839	3,510	648	1,304	5,462	27%	5%	10%	43%
Total	147,351,299	878,552	4,995,552	3,691,718	9,565,822	1%	3%	3%	6%

Source: New York data from 2013 PIT Study File, U.S. data from I.R.S. Statistics of Income



New York State Taxpayers by Residency Status, 2014

Federal Income	All U.S. Taxpayers	Nonresidents	Non-City New York State Residents	New York City Residents	All New York Taxpayers	Nonresidents' Share of Taxpayers
Less than \$100,000	NA	466,585	4,024,030	3,162,657	7,653,272	6%
\$100,000-\$200,000	NA	202,613	757,502	377,350	1,337,465	15%
\$200,000-\$1,000,000	NA	198,380	261,229	173,884	633,493	31%
\$1,000,000-\$5,000,000	NA	41,308	18,247	21,884	81,440	51%
\$5,000,000-\$10,000,000	NA	5,158	1,310	2,191	8,659	60%
More than \$10,000,000	NA	4,610	819	1,707	7,136	65%
Total	NA	918,653	5,063,138	3,739,674	9,721,465	9%

NA = Not Available

Note: Federal data not available for 2014.

Source: New York data from 2014 PIT Study File, U.S. data from I.R.S. Statistics of Income



Number of Nonresident New York Taxpayers and Average Federal Income for Selected States, 2001 and 2013

State	Number of Nonresident New York Taxpayers, 2013	Average Federal Income, 2013	Number of Nonresident New York Taxpayers, 2001	Average Federal Income, 2001	Growth in Nonresident New York Taxpayers	Growth in Average Federal Income
New Jersey	377,121	\$189,485	301,284	\$149,382	25%	27%
Connecticut	76,451	\$432,196	58,753	\$342,613	30%	26%
Pennsylvania	50,076	\$225,921	36,854	\$131,029	36%	72%
California	29,516	\$1,293,224	14,427	\$835,153	105%	55%
Florida	27,525	\$527,922	18,098	\$330,195	52%	60%
Massachusetts	18,635	\$744,326	9,859	\$439,306	89%	69%
Illinois	11,258	\$959,954	5,628	\$863,908	100%	11%
Texas	10,295	\$1,025,706	4,299	\$573,940	139%	79%
Washington	2,656	\$2,052,666	1,228	\$2,612,417	116%	-21%
Oklahoma	660	\$1,345,774	NA	NA	NA	NA
Arkansas	470	\$1,964,586	NA	NA	NA	NA
Wyoming	206	\$5,122,264	NA	NA	NA	NA

NA = Not Available

Note: Number of filers excludes non-taxable returns, which are generally families with low incomes filing tax returns in order to claim tax credits. Average federal income is calculated for all returns.

Source: New York State Open Data



Composition of Average Nonresident Taxpayers' Income by Federal Income, 2014

Federal Income	New York Wages	New York Non-wage Income	Total New York Income	Non-wage Share of New York Income	Income from Other Locations	Total Federal Income	New York Share of Federal Income
Less than \$100,000	\$25,203	\$1,394	\$26,597	5%	\$16,336	\$42,933	62%
\$100,000-\$200,000	\$73,441	\$3,904	\$77,345	5%	\$64,927	\$142,271	54%
\$200,000-\$1,000,000	\$133,054	\$26,575	\$159,629	17%	\$243,075	\$402,704	40%
\$1,000,000-\$5,000,000	\$295,416	\$168,619	\$464,034	36%	\$1,551,386	\$2,015,420	23%
\$5,000,000-\$10,000,000	\$570,774	\$365,729	\$936,503	39%	\$6,002,181	\$6,938,684	13%
More than \$10,000,000	\$1,066,222	\$666,651	\$1,732,873	38%	\$37,067,127	\$38,800,000	4%

Source: New York data from 2014 PIT Study File, U.S. data from I.R.S. Statistics of Income



Sources

Personal Income Tax (PIT) study file provided by the New York State Department of Taxation and Finance:

- Annual statistical sample of New York taxpayers 1997 to 2013
- 100% sample of taxpayers with incomes > \$1 million
- More reliable than survey data because participation is not voluntary
- Less reliable to the extent taxpayers use tax planning to reduce their reported income
- Not a reliable measure of foreign nationals, who may structure their financial transactions to avoid the U.S. and New York income tax system entirely

U.S. Internal Revenue Service, *Statistics of Income*, <https://www.irs.gov/uac/soi-tax-stats-statistics-of-income>.

New York State Open Data, “Income Tax Components by Size of Income by Place” (accessed June 1, 2016), <https://data.ny.gov/Government-Finance/Income-Tax-Components-by-Size-of-Income-by-Place-o/5bb2-yb85>

