



New York City Comptroller
John C. Liu

NEWS RELEASE

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LIU: USE THE “BUFFETT RULE” TO ELIMINATE THE UNFAIR AMT

A More Balanced Tax System Could Ease the Burden on NYC’s Middle Class

NEW YORK, NY – Following President Obama’s Weekly Address and yesterday’s debate on the United States Senate’s Paying a Fair Share Act of 2012, the Office of New York City Comptroller John C. Liu produced the following preliminary economic analysis of the Buffett Rule and its potential effects on New York City taxpayers.

“By midnight, over 3 million New Yorkers will have filed their income taxes. It’s just not right that many working families continue to pay a higher share of their income in taxes than some millionaires,” Comptroller Liu said. “The Buffett Rule would restore fairness to our federal tax system and could be used to eliminate the Alternative Minimum Tax, which hurts the middle-class in New York more than in the rest of the country. By contributing to a sustainable federal budget it could also provide a much needed boost to our economic future in the form of long-term economic investments in education and infrastructure.”

On Saturday, April 14, 2012, as part of his weekly address, President Obama argued that “it’s wrong that middle-class Americans pay a higher share of their income in taxes than some millionaires and billionaires¹” and once again urged Congress to pass the Buffett Rule.

The Buffett Rule is intended to require all those who earn over \$1 million a year to pay at least the same percentage of their income in taxes as middle-class families do.

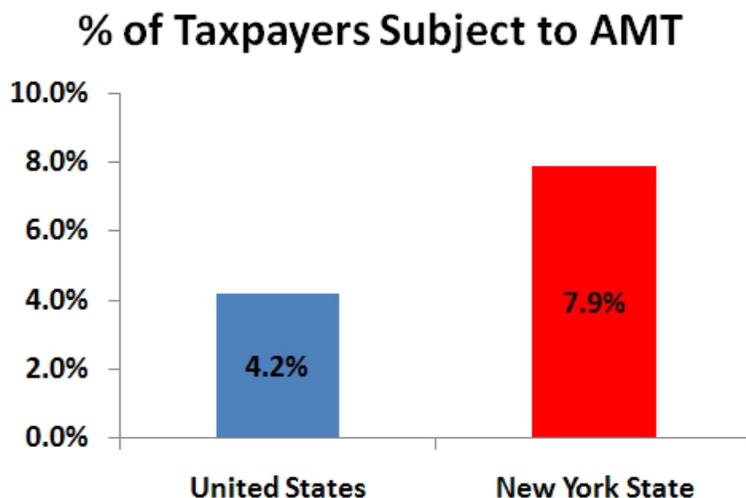
According to earlier news reports, the President would like the Buffett Rule to replace the alternative minimum tax (AMT) which “was created decades ago to make sure the richest

¹ <http://www.whitehouse.gov/the-press-office/2012/04/14/weekly-address-it-s-time-congress-pass-buffett-rule>

taxpayers with plentiful deductions and credits did not avoid income taxes, but which now hits millions of Americans who are considered upper middle class².”

The “Paying a Fair Share Act of 2012³” included a “sense of the Senate” provision that stated: “Congress should enact tax reform that repeals unfair and unnecessary tax loopholes and expenditures, simplifies the system for millions of taxpayers and businesses (including by eliminating the alternative minimum tax for middle-class Americans), and makes sure that the wealthiest taxpayers pay a fair share.”

The AMT is known to disproportionately impact New York State residents. In tax year 2009, 7.9 percent of taxable returns in New York State were subject to the AMT, well over the 4.2 percent national average. In 2009 New York State residents paid 16.1 percent (\$3.66 billion) of the entire \$22.75 billion AMT paid nationwide. New York State trailed only New Jersey in the percent of returns on AMT in 2009.⁴ It is likely that in New York City the percent of returns subject to AMT is actually much larger than on the state level.



Despite the outcome of yesterday’s Senate vote, the issue of tax fairness will likely remain a top policy issue for the remainder of the year. To this end, the New York City Comptroller’s Office analyzed the most recent data available from the New York State Department of Taxation and Finance for calendar year 2009, to assess how the Buffett Rule might affect New York City taxpayers:

² http://www.nytimes.com/2011/09/18/us/politics/obama-tax-plan-would-ask-more-of-millionaires.html?pagewanted=1&_r=2&hp

³ <http://thomas.loc.gov/cgi-bin/query/z?c112:S.2230>:

⁴ <http://www.taxpolicycenter.org/taxfacts/displayafact.cfm?DocID=536&Topic2id=30&Topic3id=36>

New York City Single Filers⁵

There were approximately 2.7 million filers in this category of which 3,648 (0.1%) had a federal adjusted gross income (AGI) over \$1,000,000. Together this group's income totaled \$13.9 billion.

Table I - Single Filers

AGI	# of Filers	Total AGI	Average AGI
Less than or equal to \$25,000	1,369,487	\$12,264,676,705	\$8,956
\$25,001 - \$50,000	716,941	\$25,989,604,093	\$36,251
\$50,001 - \$100,000	489,451	\$33,724,911,205	\$68,904
\$100,001 - \$200,000	126,619	\$16,714,820,114	\$132,009
\$200,001 - \$500,000	32,362	\$9,332,394,232	\$288,371
\$500,001 - \$1,000,000	5,594	\$3,820,193,034	\$682,859
\$1,000,001 and Over	3,648	\$13,852,730,599	\$3,797,662
Total	2,744,101	\$115,699,329,982	\$42,163

Source: Tax Year 2009 Personal Income Tax Study File from NYS Department of Taxation and Finance

New York City Joint Filers

There were approximately 883,000 filers in this category of which 10,924 (1.2%) had an AGI over \$1.0 million. Together this group's income totaled \$49.4 billion.

Table II - Joint Filers

AGI	# of Filers	Total AGI	Average AGI
Less than or equal to \$25,000	253,130	-\$1,234,590,165	-\$4,877
\$25,001 - \$50,000	170,118	\$6,208,522,463	\$36,495
\$50,001 - \$100,000	213,948	\$15,539,790,944	\$72,633
\$100,001 - \$200,000	163,247	\$22,327,861,814	\$136,773
\$200,001 - \$500,000	57,839	\$17,128,241,929	\$296,135
\$500,001 - \$1,000,000	13,565	\$9,321,393,482	\$687,177
\$1,000,001 and Over	10,924	\$49,477,579,731	\$4,529,363
Total	882,772	\$118,768,800,197	\$134,541

Source: Tax Year 2009 Personal Income Tax Study File from NYS Department of Taxation and Finance

Together, single and joint filers in this income range represent about 0.4% of New York City taxpayers and had incomes totaling \$63.33 billion. Based on this data we estimate that in tax year

⁵ The President's proposal makes no differentiation between single and joint filers. We assume that the final iteration of the plan would likely treat the two types of filers differently, but in this analysis we assume that the threshold will be \$1.0 million of AGI for both single and joint filers.

2009 each one percent increase in the federal tax rate on City residents who make more than \$1 million would have generated \$633.3 million in additional revenue from New York City taxpayers.

The Comptroller's Office calculates that adoption of the Buffett Rule would more than offset the cost to the federal government of eliminating the AMT for all New York City residents earning under \$1 million annually. The effective federal tax rate for all filers earnings \$1 million or more was 24.4 percent in 2009; assuming that a similar effective tax rate is paid by New York City tax filers with similar incomes, adoption of the Buffett Rule would raise about \$3 billion in additional federal tax revenue from city residents, which compares to the Comptroller's Office preliminary estimate that city residents paid about \$1.6 billion in AMT in 2009.

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