



NEW YORK CITY COMPTROLLER  
**BRAD LANDER**

**Spotlight** \_\_\_\_\_

# Taking Trump's Tariffs Seriously: The Fiscal and Economic Impact for NYC

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# Introduction

*“While uncertainty remains elevated, it is now becoming clear that the tariff increases will be significantly larger than expected. The same is likely to be true of the economic effects, which will include higher inflation and slower growth. The size and duration of these effects remain uncertain.”*

Jerome Powell, [4/4/2025](#).

It is by now abundantly clear that the Trump administration has injected into the economy an unprecedented level of chaos and uncertainty. The “reciprocal” tariffs announced on April 2<sup>nd</sup> were the largest shock to international trade in more than a century, lifting the US effective tariff rate from 2% to well above 20%. Their “pause” on April 9<sup>th</sup> just a few hours after implementation brought little relief, as in the meantime the additional tariffs on China went from 84% to 125% (on top of the 20% previously announced).<sup>1</sup> These policies and gyrations are sinking consumer and business confidence, raising inflation expectations, and damaging the safe haven status of the US dollar and US government debt.

In this month’s Spotlight we present a range of scenarios for the US economy and their implications for the New York City economy and the City’s tax revenues. Despite the uncertainty, this is essential to do now, with the Mayor’s projection of revenues for the Fiscal Year 2026 budget due to the City Council by May 1<sup>st</sup>, to inform budget negotiations that must be finalized by June 30<sup>th</sup>. Thus far, the Adams Administration has not taken any steps to address the economic and fiscal impacts of Trump Administration policies on New York City. Sadly, refusing to reckon with the impacts will not stop them from affecting us.

We explore three scenarios: no recession (with tariffs fading by 2026, a scenario that was the baseline in March, but now seems optimistic); a mild recession (which would eliminate 71,200 jobs peak to trough and cost the City approximately \$4.3 billion in revenue over the next two fiscal years); and a severe recession (which would eliminate nearly 150,000 jobs peak to trough and cost the City over \$10 billion).

Importantly, in all scenarios, we expect FY 2025 tax revenues to be above current budget expectations, and for the City to therefore end its fiscal year on June 30<sup>th</sup> with larger current-year surplus (before adjusting for pre-payments). The clear and cogent implication is that the City should make a sizable deposit in its rainy-day fund this year. At present, the City’s rainy-day fund

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<sup>1</sup> On April 11<sup>th</sup>, certain electronics were [temporarily exempted](#) from “reciprocal” tariffs only to be tariffed along with semiconductors in the near future.

is significantly underfunded, and we are not prepared for the impacts of an economic downturn.<sup>2</sup> In our [report on the Preliminary Budget](#) last month, we urged a minimum deposit of \$847 million based on the [formula we proposed in 2022](#). Based on the more recent estimates, the deposit should range between \$966 million and \$1.15 billion. This deposit to the rainy-day fund is in addition to our recommendation that the City increase its General Reserve by \$1 billion to protect New Yorkers from looming federal funding cuts. We recognize that forecasting is a difficult proposition in the best of times and that the scenarios were formulated in March. Moreover, even armed with up-to-the-minute scenarios, our models would struggle to incorporate the implications of large, sudden, and rare economic shifts. Nonetheless, we (humbly) believe that they provide an initial framework to bound the uncertainty involved in this year's final steps toward the adoption of the FY 2026 budget.

The scenarios for the US economy were formulated by Moody's Analytics in March and see tariffs increasing inflation and lowering growth with effects ranging from muted to severe as tariffs stay in place for longer periods of time. In all scenarios, the effective US tariff rate settles at 12.7%, significantly less than the [27% \(as of April 9\)](#) that businesses and consumers are facing. After the substitution of consumer demand away from tariffed imports, as of April 9, the effective tariff rate was estimated by the Yale Budget Lab at 16%. Crucially, the scenarios differ in the length of time the tariffs remain in place. They do not, however, differ based on assumed effects of other policy changes, such as federal fiscal and immigration policies.

Table 1 summarizes the implications of these scenarios for New York City jobs and the majority of economically sensitive taxes (our analysis includes personal and business income taxes, the sales tax, and real property transaction taxes). The main takeaways are:

1. In the **no recession** scenario, negotiations to reduce tariffs start right away and they are gone completely by 2026. In March, this was Moody's Analytics baseline scenario, and we consider it optimistic.

In this scenario, New York City job growth and inflation remain elevated in 2025 but slow down afterward. Tax revenues moderately exceed the estimates in the January Financial Plan.

2. In the **mild recession** scenario tariffs stay in place until 2026. GDP declines 1% by the end of 2025 from its peak in the first quarter. The S&P 500 drops by 20% by the end of 2025 from its level at the end of 2024. As we write, a mild recession appears to be reasonably close to a new baseline. For instance, the April [Wall Street Journal survey of economic forecasters](#) places the odds of a recession in the next 12 months at 45% (double the estimate in January).

In this scenario, New York City loses 35,700 jobs by the fourth quarter of 2025 from a year prior (71,200 from peak to trough), but the job market recovers in 2026 and 2027. Inflation

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<sup>2</sup> We proposed an overall target for the rainy-day fund of 16% of tax revenues, which would amount to approximately \$12.7 billion in FY 2025 in all scenarios. The Revenue Stabilization Fund had a balance of approximately \$2.0 billion at the end of FY 2024. The Retiree Health Benefit Trust (RHBT), which the City has previously used as a *de facto* rainy-day fund had a balance of approximately \$5.0 billion at the end of FY 2024. Therefore, even taking into account RHBT, the City only has accumulated slightly more than half the proposed amount.

is elevated in 2025 but falls in 2026 because of the recession. Cumulatively, FY 2026 and FY 2027 revenues are \$4.3 billion below the January Financial Plan assumptions.

3. In the **deeper recession** scenario tariffs remain in place until 2027, and retaliatory tariffs compound the negative effects on inflation and GDP. In this scenario, GDP drops by 2.6% by the end of 2025 and stock market losses increase to 35%.

In this scenario, New York City loses 102,300 jobs by the fourth quarter of 2025 from a year prior (149,300 peak to trough) and the recovery gathers speed only in 2027 and 2028. Inflation falls faster in 2026 due to the depth of the recession. Tax revenues drop below the January Financial Plan assumptions by \$5.0 billion in FY 2026, \$5.4 billion in FY 2027 and by smaller amounts in the remainder of the forecast window.

As mentioned above, the estimates provide a framework to evaluate the uncertainty regarding economic and fiscal outcomes. This is of crucial importance as the Office of Management and Budget (OMB) needs to settle on one projection for the FY 2026 Executive Budget that will be presented by May 1<sup>st</sup>. After that, City Charter Section 1515 gives the Mayor the discretion to change the FY 2026 estimates for all revenues (including Federal and State grants) up to May 25<sup>th</sup> in a communication to the City Council. The revenue estimate may include withdrawals from the Revenue Stabilization Fund (the City’s rainy-day fund) because, [per State law](#), they are revenues in the year withdrawals are made. Subsequently, the FY 2026 revenue estimate can be amended with a message of fiscal necessity to the City Council delineating the reasons for the change.

**Table 1. Summary of Economic and Fiscal Projections**

	2025	2026	2027	2028	2029
	<b>New York City Payroll Jobs (Change Q4-Q4 in Thousands)</b>				
<i>No recession</i>	90.1	53.5	55.1	50.4	55.0
<i>Mild recession</i>	-35.7	91.3	116.0	58.0	54.6
<i>Deeper recession</i>	-102.3	27.0	135.9	108.1	85.4
	<b>New York City Income, Sales, and Transaction Taxes: Difference from Preliminary Budget (\$b, FY)</b>				
<i>No recession</i>	\$0.9	\$0.5	\$1.1	\$1.3	\$1.1
<i>Mild recession</i>	\$0.8	-\$2.5	-\$1.8	\$0.1	\$0.7
<i>Deeper recession</i>	\$0.6	-\$5.0	-\$5.4	-\$2.2	-\$0.8

Sources: Office of the New York City Comptroller, Mayor’s Office of Management and Budget.

It is worth nothing that this is not a full evaluation of the Trump administration’s economic policies. The slashing of Federal government capacity and funding impacts the State and City budgets, the private sector, health and education institutions, and the providers of health and social services in ways that are not directly captured in this analysis. Immigration policies can

drive population losses in New York City and could remove tens of thousands of workers from the labor market. The federal budget is also a source of uncertainty as the House and the Senate have just started the committee work that will lead to a final agreement.

## Scenarios for the US Economy

Despite solid job creation, the US economy was already showing signs of a slowdown by the end of the first quarter of 2025, with tracking estimates from the Federal Reserve Bank of Atlanta even pointing to a 0.3% rate of decline (as of April 9). [CEO's confidence](#), which had increased after the election, fell in March to the lowest level since 2012 and [investment bankers' great optimism](#) for deal-making activity is now [all but forgotten](#). April's [preliminary report from University of Michigan](#) shows consumer sentiment falling to its second lowest level on record—with declines “pervasive and unanimous across age, income, education, geographic region, and political affiliation”—and one-year inflation expectations reaching their highest level since 1981.

When we published our [Protecting New York City](#) report last November, we discussed expectations regarding federal fiscal policy. At the time, campaign pronouncements indicated that US could tariff Chinese goods up to 60% and that the US could impose worldwide tariffs of 10-20%. A few hours before the “pause” announced on April 9th, the Trump administration had [implemented new tariffs](#) of 104% on China, 24% on Japan, 20% on the European Union, 25% on steel, aluminum and autos, 25% on non-USMCA compliant goods from Canada and Mexico, and at least 10% on most of the rest of the world. The “pause” lowered “reciprocal” tariffs to the 10% worldwide level on countries that had not yet implemented retaliatory measures. However, tariffs on China were raised to 145%. More tariffs are expected soon on pharmaceutical goods, semiconductors, electronics [temporarily exempted](#) from the 125% tariff on China, copper, timber, and other products. This hardly appears to be the underpinning of a benign outlook.

This protectionist shift will have deep economic repercussions, exacerbated by the lack of policy predictability. The arbitrary calculations behind the “reciprocal” tariffs only added to the uncertainty and potential size of the economic shock. As a measure of how unexpected and chaotic the April 2<sup>nd</sup> announcement was, the S&P 500 index dropped by 10.5% in two days and, contrary to historical behavior, the US dollar depreciated as its safe haven status started to erode. This level of volatility is rare, and it was last experienced during the initial stages of the COVID-19 pandemic. Overall, the Trump administration's actions appear to follow, on an accelerated timeline, the [blueprint](#) for the disruption of the global trading system outlined by the Chairman of the Council of Economic Advisors Stephen Miran and echoed in [recent remarks](#). The “yippy” (read violently adverse) market reaction led to the 90-day “pause” announced hours after the “reciprocal” tariffs went into effect.

The main channels through which tariffs negatively affect the economy are weaker consumption due to higher prices and lower wealth, contraction in export industries caused by an ensuing trade war, the dampening effects of uncertainty on business investment decisions, and the delay

in monetary policy accommodation due to higher actual and [expected inflation](#) (even if temporary).

The scenarios summarized in Table 2 see tariffs increasing inflation and lowering growth with effects ranging from muted to severe as tariffs stay in place for longer periods of time. In all scenarios, the effective US tariff rate is assumed to settle at 12.7%, significantly less than the [27% estimate as of April 9](#) after the “pause.” In all scenarios, net international migration slows to 500,000 per year from the roughly 2 million/year average in 2022-2024.<sup>3</sup> As to fiscal policy, the scenarios assume the extension of the 2027 Tax Cuts and Jobs Act (TCJA), with moderate additional cuts to personal and business income and corporations. No meaningful cuts to entitlement programs are factored in.

Crucially, the scenarios differ in the length of time the tariffs remain in place:

1. In the **no recession** scenario, negotiations to reduce tariffs start right away and they are gone completely by 2026. In March, this was Moody’s Analytics baseline scenario, and we consider it optimistic.
2. In the **mild recession** scenario tariffs stay in place until 2026. GDP declines 1% by the end of 2025 from its peak in the first quarter. The S&P 500 drops by 20% by the end of 2025 from its level at the end of 2024. As we write, a mild recession appears to be reasonably close to a new baseline. For instance, the April [Wall Street Journal survey of economic forecasters](#) places the odds of a recession in the next 12 months at 45% (double the estimate in January).
3. In the **deeper recession** scenario tariffs remain in place until 2027, and retaliatory tariffs compound the negative effects on inflation and GDP. In this scenario, GDP drops by 2.6% by the end of 2025 and stock market losses increase to 35%.

**Table 2. US Scenarios**

	Tariffs	Monetary Policy	Net International Migration	Fiscal Policy	Stock Market
<b>No Recession</b>	Effective rate rises to 12.7% but rollback begins immediately.	Rate cuts starting in 2025Q3.	500k/year	TCJA extended. Small tax cuts and spending reductions.	Decline in early 2025 but only 2% down by year-end (yoy). Flat in 2026.

<sup>3</sup> See Congressional Budget Office, [The Demographic Outlook 2025-2055](#), January.

	Tariffs	Monetary Policy	Net International Migration	Fiscal Policy	Stock Market
<b>Mild Recession</b>	Effective rate settles at 12.7%. Rollback begins in 2026.	Higher inflation leads to tightening in 2025Q2. Easing starts in 2025Q3.	500k/year	TCJA extended. Small tax cuts and spending reductions.	20% decline by 2025Q4 (yoy). 8% growth in 2026.
<b>Deeper Recession</b>	Effective rate settles at 12.7%. Rollback begins in 2027.	Higher inflation leads to tightening in 2025Q2 and 2025Q3. Easing starts in 2025Q4.	500k/year	TCJA extended. Small tax cuts and spending reductions.	35% decline by 2025Q4 (yoy). 6% growth in 2026.

Source: Moody’s Analytics US Narratives, March 2025

We note that, while the Federal Reserve is not currently expected to increase interest rates in the second quarter, the simultaneous selloff in stock, bonds, and the dollar has effectively tightened financial conditions without the Fed’s intervention.

We also note that while tax and spending policy remains in flux, it is not clearly expansionary or sufficient to offset the impact of tariffs. First, funding pauses and cuts will have negative impacts on private sector employment and state and local budgets. Second, the extension of the Tax Cuts and Jobs Act (TCJA) provisions expiring in 2025 simply extends current conditions. Third, additional tax cuts could be matched by spending cuts in Medicaid, food stamps, and other programs. Finally, the deep and widespread reductions in force and other personnel actions, while tiny in terms of spending reductions, will limit federal capacity to implement programs and disburse funding.

The [Senate budget resolution](#) passed on April 5<sup>th</sup> by the Senate and on April 10<sup>th</sup> by the House allows a deficit increase of \$2 trillion over ten years (2025-2034), with \$1.5 trillion coming from the Senate Committee on Finance. The \$1.5 trillion is a net number that includes additional tax cuts but could also include offsets from revenue raisers and spending reductions from health care programs (Medicare, Medicaid, and others), Social Security, and other areas under the committee’s jurisdiction.<sup>4</sup> Importantly, the resolution allows the extension of the Tax Cuts and

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<sup>4</sup> Contrary to the original [House resolution](#), which required at least \$2 trillion in spending cuts over ten years (and with the caveat that the Senate Finance Committee has authority on social insurance programs and Medicaid), the final resolution only calls for a minimum of \$4 billion in savings over the same time period. This means that, in the aggregate, the additional tax cuts and spending increases could be partially, fully, or more than offset by spending reductions

Jobs Act (TCJA) provisions expiring in 2025 to be scored at “current policy.” This means that Congress assumes that the TCJA’s provisions are permanent and, therefore, legislating their permanence has no impact on the deficit.<sup>5</sup> Committees are required to deliver their proposals by May 9, although the deadline is nonbinding.

## Impacts on the New York City Economy

Prior to implementation of broad, substantial import tariffs and the seeming ramping-up of immigration enforcement, New York City’s economy appeared to be in fairly good shape. Revised job growth figures showed a gain in total New York City payrolls of 128,000 (2.7%) from the fourth quarter of 2023 to the fourth quarter of 2024. The figures also showed that New York City’s high-paying Financial Activities, Professional & Business Services, and Information sectors combined gained 32,000 jobs. Even Manhattan office leasing, in the doldrums since the pandemic, came “[roaring back](#)” in the first quarter of 2025—up 20% versus one year prior and its highest first quarter level since 2018. The citywide office availability rate, which measures the proportion of square footage that is currently on offer for new future tenants, has fallen from 17.1% at mid-2024 to 15.0% as of early April—the lowest level since the end of 2020. Wall Street profits nearly doubled in 2024 versus the prior year, and incentive pay paid out to New York City workers in the winter of 2024-25 appear to have increased by about 40%, to a new record high. And while there were still many signs to be cautious about New York City’s growth—e.g. the lower paying and largely publicly-funded Health Care & Social Services sector still accounted for more than 60% of the city’s total gain in jobs in 2024—there were generally conditions that indicated continued job growth and strong income growth for the city.

But new Federal policies on tariffs and immigration enforcement will have a negative impact on New York City’s economy for at least the next two or three years. The extent of economic damage to New York City will depend on the duration of the new tariff regime, the degree to which foreign trading partners respond with their own trade barriers, and the speed with which financial markets and investment decisionmakers regain confidence in U.S. policy stability.

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<sup>5</sup> Some entertaining metaphors to explain current policy scoring can be found [here](#). The Congressional Budget Office [estimates](#) that the ten-year cost of the extension is \$4.5 trillion (inclusive of \$700 billion in additional debt service). Because TCJA is currently in effect, its extension would not provide fiscal stimulus. The Committee for a Responsible Federal Budget [estimates](#) that the total deficit increase of the resolution inclusive of interest costs is \$6.9 trillion (inclusive of \$1.1 trillion in additional debt service). Revenues from the tariffs are not included in the budget scoring. [Initial estimates](#) for tariffs imposed through April 9<sup>th</sup> hover around \$2.2-\$2.4 trillion over ten years, before accounting for offset due to negative economic impacts.

We also highlight how our estimates fall short of quantifying risks for the education, health, and tourism sectors, and for population growth and labor supply. These risks cut across all scenarios.

## Forecasts

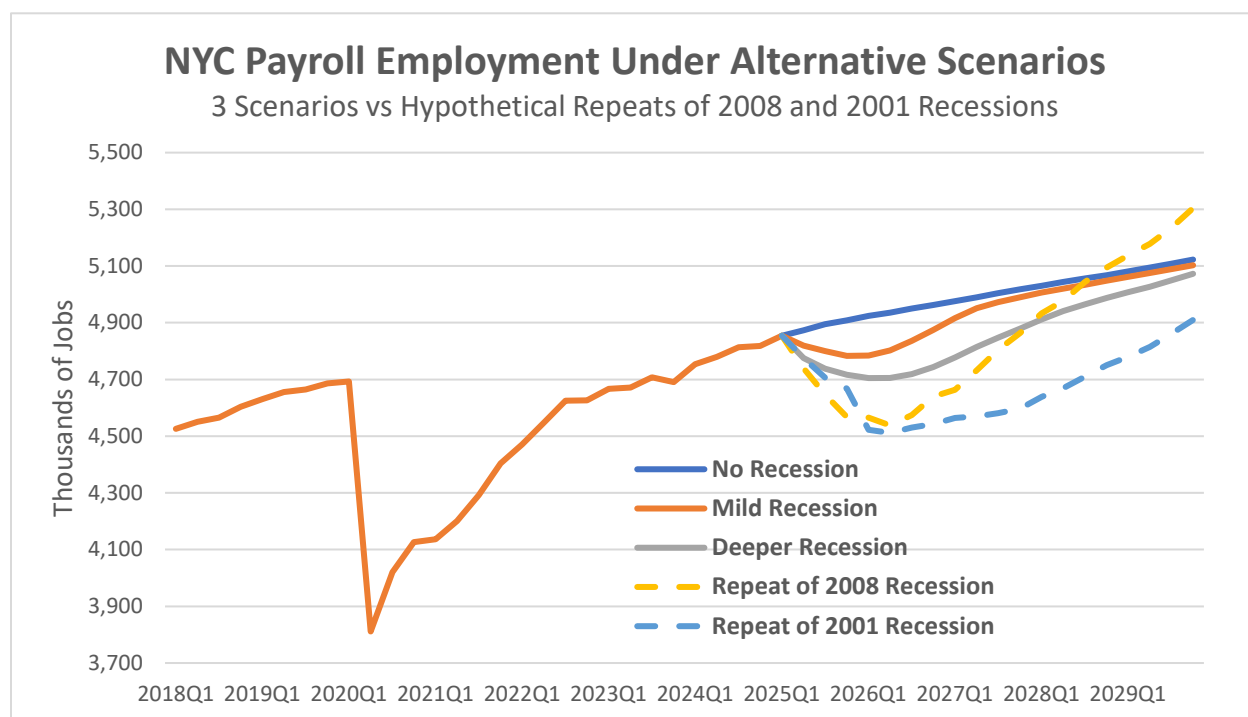
Chart 1 below shows New York City payroll employment under the three scenarios; two of these have local employment starting to decline in the current quarter (2025 Q2). To put these scenarios in perspective, the dashed lines in Chart 1 depict what the path of New York City employment would be if the percentage changes in employment in each quarter after 2025 Q1 were to mirror percentage changes in the 2008 and 2001 recessions, respectively.

In the **no recession** scenario, most of the newly announced tariffs are fully and permanently removed within a few months of implementation—with the exception, notably, of tariffs on China which remain at 30% through the duration of Trump’s term. In this scenario, employment growth in New York City is projected to be strong, gaining more than 90,000 jobs over the year (measured Q4 2025 to Q4 2024). Total New York City wage and salary growth is forecast to be about 5% in both 2025 and 2026, exceeding projected inflation rates by 1 to 2 percentage points. With the stock market regaining most of its recent losses but still finishing the year slightly down, 2025 Wall Street profits decline by 20% from their lofty 2024 levels.

Under the **mild recession** scenario, the U.S. economy begins declining in mid-2025 but starts recovering when most of the tariffs get removed beginning in early 2026. Employment in New York City is projected to decline by 36,000 by the end of 2025. This is more than 125,000 fewer jobs than are expected in the No Recession scenario, when the tariffs are removed more immediately. The job recovery begins in early 2026. Despite the job losses, total wages and salaries in New York City are still projected to rise slightly in 2025 and 2026, but they are expected to decline by about 1% in real (i.e., inflation-adjusted) terms in each of those two years. Wall Street profits are expected to fall more than 40% cumulatively by 2026 (versus 2024), while business profits generally are also expected to be in decline.

In the **deeper recession** scenario—where tariffs continue in full force through the end of 2026—New York City employment falls by 102,000 year-over-year by the fourth quarter of 2025. Recovery from this loss does not begin until late-2026. Total New York City wages and salaries drop even in nominal terms in 2026, falling 2.2% versus the prior year. In real terms, total New York City wage and salary falls 2.3% in 2025 and 4.0% in 2026. With substantial declines in financial markets, Wall Street profits decline by 55% cumulatively by 2026 relative to the high level attained in 2024.

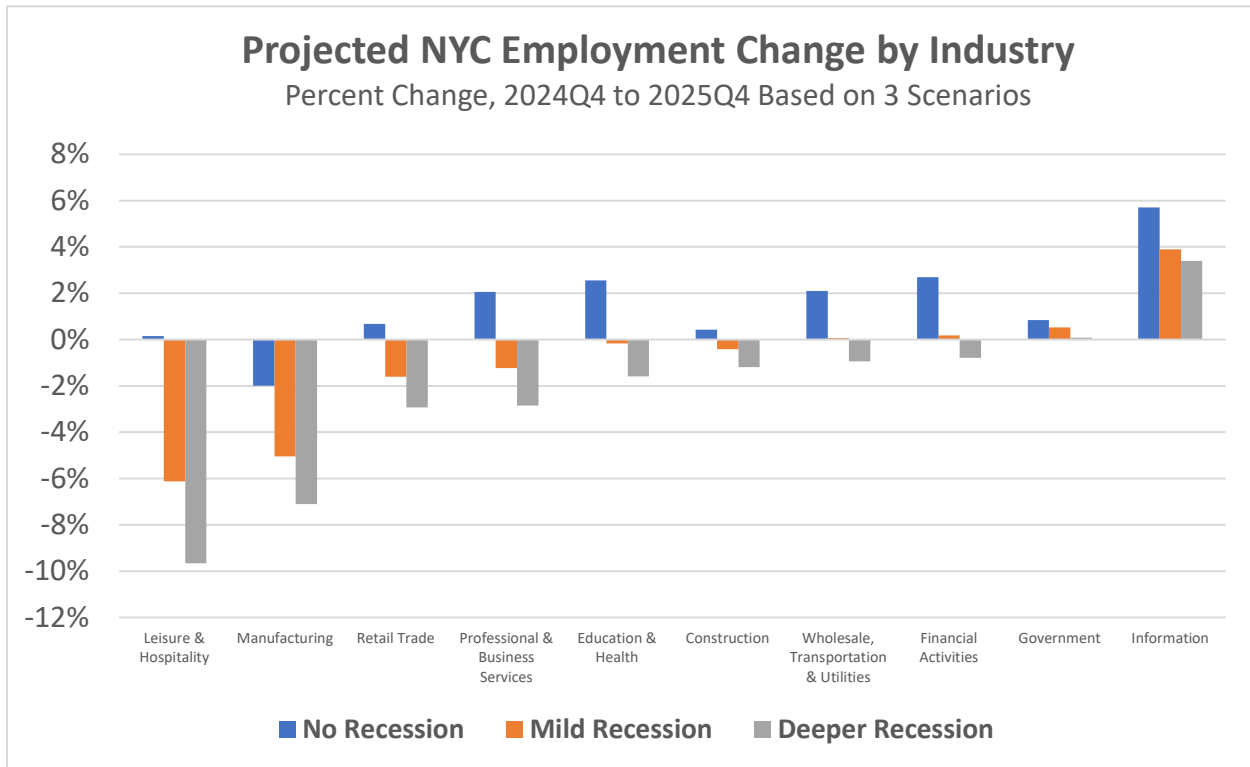
## Chart 1



Source: NYS Department of Labor, Mayor's Office of Management and Budget, Office of the New York City Comptroller analysis

Chart 2 shows the projected percentage change in New York City employment by industry sector, from 2024 Q4 to 2025 Q4, under each scenario. While most industries are expected to lose jobs in each recessionary scenario, certain industries are projected to lose significantly larger fractions of their workforce. Leisure and Hospitality declines by more than 6% in the mild recession and nearly 10% in the deeper recession. While unlikely to be directly affected by import tariffs, this industry is sensitive to economic downturns, and its current labor force is expected to be disproportionately affected by stricter immigration controls. Tariffs and trade wars would be disruptive in the short term to both the Manufacturing and Retail sectors, and job losses under an altered tariff regime would be expected at a high proportion of employment in these sectors. The highest-paying sectors—Finance and Information—are not as strongly affected by the downturn in terms of employment.

## Chart 2



Source: Office of the New York City Comptroller analysis.

One implication from the forecasts is that even the deeper recession scenario would not yield job losses as steep (in percentage terms) as either of the 9/11 and 2008 recessions. It is also worth noting that, under all these scenarios, employment trends could be more positive (or less negative) locally than nationwide. This reflects a number of features of New York City’s economy. First, it is under-weighted in manufacturing, which would be particularly vulnerable to a trade war. Second, because the average New York City household spends more of its budget on services (such as housing and education), and less on imported goods (such as vehicles) than the nationwide average, the cost burden of tariffs is likely to be somewhat less severe here. Third, because prices of both goods and services, as well as incomes, tend to already be high in New York City, the additional costs caused by tariffs should represent a somewhat smaller percentage of spending than elsewhere.

## Risks to the Health and Education Sectors

In the no recession scenario, the forecast for the health and education sectors shows job gains of 32,800 between 2024Q4 and 2025Q4, much smaller than the 77,900 recorded the previous year. Jobs remain essentially flat (-2,000) in the mild recession scenario, and they drop by 20,300 in the deeper recession scenario. However, the sectors are subject to considerable downside risks that are not captured by our models.

The more than 100 universities (public, private and for-profit) located in New York City employ 140,000 people and serve over 500,000 students.<sup>6</sup> Many of these students receive federal financial assistance. The federal government provided nearly \$3.0 billion to New York City universities for research and development in 2023.<sup>7</sup> While the vast majority of this funding is awarded by the federal Department of Health and Human Services (HHS) and goes to a small number of universities and academic medical centers, many colleges and universities, including the City University of New York, receive some federal research funding. This research is threatened by specific awards that are being cut by HHS, as well as an announced reduction in the overhead rate associated with all National Institute of Health (NIH) grants that funds facility and administration expenses, from significantly more than 50%, depending on the university, to just 15%. While many of the administration's efforts are being challenged in court, the overall uncertainty in funding has already resulted in pauses in Ph.D. student acceptances for the coming school year and hiring freezes. It is also reasonable to expect a decline in the enrollment of international students, whether because of the revocation of visas and green cards or due to trade wars, particularly with China. In 2023, one quarter of international students in the US were from China, generating exports (e.g. tuition and other payments) worth \$14.3 billion.<sup>8</sup>

While academic medical centers are big recipients of federal health-related research funding, the overall healthcare sector is more closely linked to federal funding for healthcare coverage through publicly supported insurance including Medicare, Medicaid and the Essential Plan. Medicaid funding is currently most at risk as part of the House budget resolution, which includes a minimum of \$880 billion in likely Medicaid cuts over 10 years. Nearly 4 million New York City residents receive healthcare coverage through Medicaid and nearly 1 million are enrolled in the Essential Plan (NY's basic health plan for low-income individuals).<sup>9</sup>

To put the potential Medicaid cut into perspective, an \$88 billion per year reduction nationally could translate to \$10 billion or more in Medicaid cuts to NY State, an amount that the State is unlikely to be able to backstop and would need to cover through reduced eligibility thresholds, narrowing the range of covered services, and/or cutting the rates paid to providers.<sup>10</sup> With 57.8% of the State's current Medicaid enrollment, more than half of any reduction is likely to flow to New York City providers.

Separate from federal actions, New York State is seeking to control rising Medicaid costs, largely in its Consumer Directed Personal Assistance Program (CDPAP). This program allows relatives and other known caregivers to provide home care services to Medicaid-eligible clients. Home health care has been the main driver of job growth in New York City since the program began. Under the program, providers are hired by so-called fiscal intermediaries and counted in the payroll

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<sup>6</sup> See New York City Economic Development Corporation (2024) [Academia in New York City](#), November.

<sup>7</sup> See the [Higher Education Research and Development Survey](#).

<sup>8</sup> See Wall Street Journal ["Chinese Students on US Campuses are Ensnared in Political Standoff,"](#) April 9, 2025.

<sup>9</sup> See our [Fiscal Note: Risks for Medicaid and other NY State Healthcare Programs](#) for more detail.

<sup>10</sup> Williams, Elizabeth, Alice Burns and Robin Rudowitz. Kaiser Family Foundation. ["Putting \\$880 Billion in Potential Federal Medicaid Cuts in Context of State Budgets and Coverage,"](#) March 24, 2025.

numbers. From December 2023 to December 2024 alone, the Home Health Care Services sector added 40,100 jobs while the Individual and Family Services sector added 19,900 jobs. CDPAP fiscal intermediaries are concentrated in these two sectors, according to a study by the New York City Independent Budget Office.

New York State has started the transition from a network of intermediaries to one single entity (Public Partnerships LLC - PPL). The transition was originally slated to complete by April 1<sup>st</sup>. On April 9, fiscal intermediaries were allowed to keep workers on payroll while the full transition to the new system is delayed to June 6. According to an [update from NYS Department of Health](#) dated April 14<sup>th</sup>, more than 245,000 workers statewide started or completed the registration process, 160,000 have completed onboarding and are “payroll ready”, and only 110,000 workers logged their time in the new system for the first pay period ending on April 5. It is not clear to what extent the transition will affect the payroll employment survey data that feed into the monthly jobs report.

## Risks to the Tourism Sector

While it is not nearly as significant a driver of the city’s economy as finance or tech, tourism plays an important role, contributing to a large number of jobs, notably entry-level jobs, and contributing moderately to tax revenue. Its role in contributing to the city’s vibrancy is also important but hard to quantify. Of U.S. cities, only Las Vegas has more hotel capacity as highlighted in last month’s [Spotlight report](#). New York City is host to a disproportionately large number of foreign visitors, and these visitors tend to stay longer and spend substantially more money here than domestic visitors. New York City Tourism & Conventions estimates that international visitors accounted for about 20% of all tourists in 2024, but a much larger share of total visitor spending for the reasons noted above. Total direct spending by these visitors is estimated to have totaled about \$23 billion in 2024. Thus, for instance, if international visitations dropped off by 25% in 2025, the effect on spending (in 2024 dollars) would be likely be close to \$6 billion, with multiplier effects generating an additional \$3 billion drop-off in overall economic activity. These visitors contribute directly to City tax revenues directly through the general sales & use and hotel occupancy taxes.

While tariffs and trade restrictions generally focus on goods, international tourism—essentially a service export—is clearly vulnerable to recent policy changes and isolationism. There are several ways in which the expanding trade war may restrain international tourism. One way is through sentiment; if many travelers from around the world feel upset and resentful toward the U.S.—or fearful that they might be [detained](#) or denied entry—they are likely to avoid visiting. Increased difficulty in obtaining a visa would be another constraint on visitations. Finally, the combination of reduced trade and increased isolationism would likely lead to a reduction in business travel from abroad.

New York City Tourism and Conventions estimates that roughly one million Canadians and slightly more British nationals visited the city in 2024—the two top groups of international visitors to New York. Canada, the U.K. and a number of European countries have issued [travel advisories](#)

and warnings about visiting the U.S., and there are indications that [bookings from Europe](#) and visitations from [Canada](#) have already fallen noticeably.

## Risks to Labor Supply and Population Growth

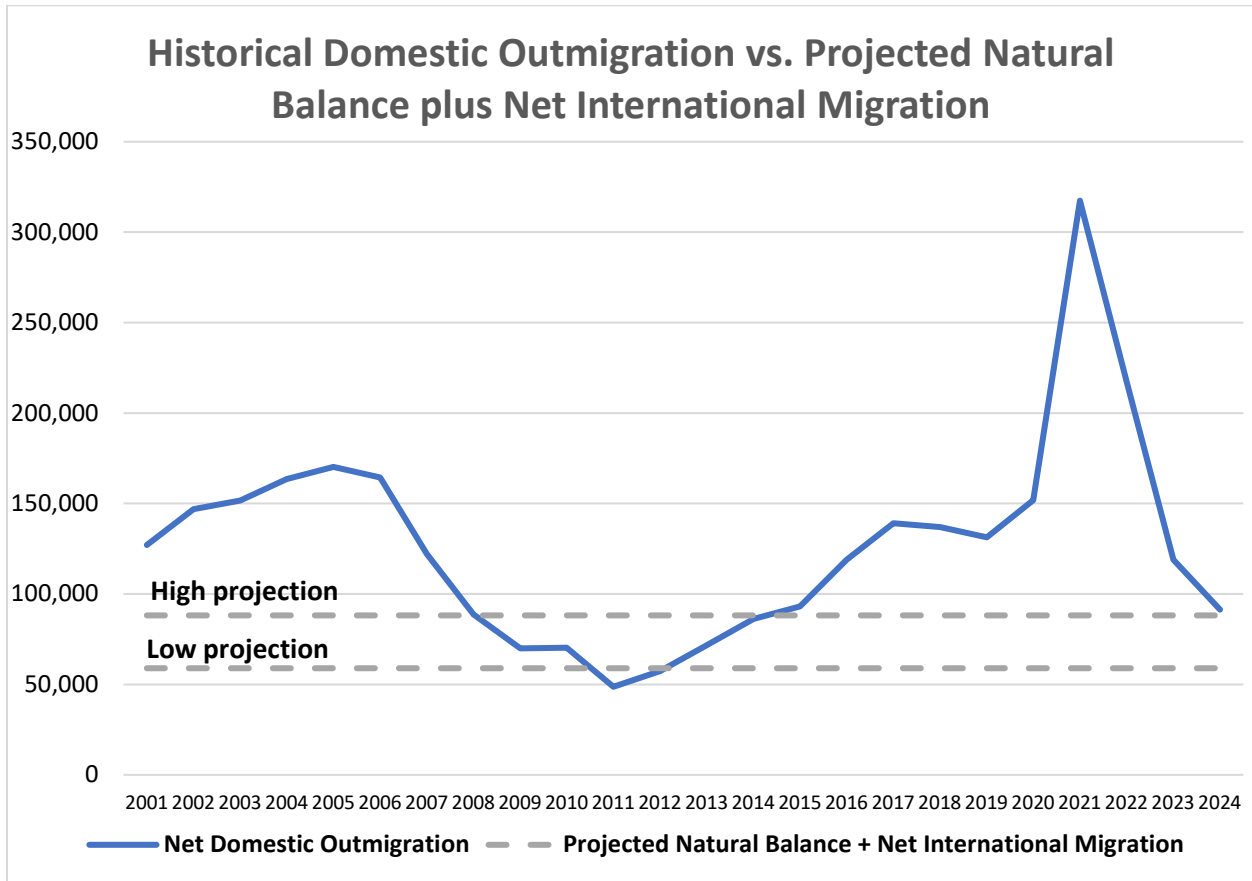
The constraints on international migration are likely to reduce New York City's population, unless domestic outmigration also falls significantly. The US scenarios assume that annual net international migration slows to 500,000. Using historical data from the Census Bureau and the [Congressional Budget Office](#) from 2001 to 2024, we calculate that New York City has on average received between 5% and 7% of the US net inflow.<sup>11</sup> This means that net international migration to New York City could fall to between 25,000 (as it did in 2020) and 34,000 (as it averaged in 2018 and 2019, during the first Trump term).

At the same time, the natural balance (births minus deaths) averaged 34,000 in 2023-2024, down from 55,000 in 2017-2019. From these historical data points, we build a range for future natural balance and net international migration of between 59,000 and 88,000 (the latter assumes natural balance returns to the 2017-2019 average). In Chart 3, we compare this range to historical estimates of domestic outmigration: the population lost to other places in the US. The chart shows that domestic outmigration has rarely been within the range, except in the aftermath of the Great Recession in 2009-2014. And when domestic outmigration exceeds the sum of natural balance and net international migration, the city's population declines.

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<sup>11</sup> Calculations are based on cumulative New York City and US net international migration. The data are sourced from the Census Bureau annual estimates of the components of population change and from CBO, respectively. The lower bound uses 2001-2024 data. The upper bound uses 2001-2017 data before the change in methodology in Census annual estimates that significantly reduced the estimate of net international migration.

**Chart 3.**



Source: Census Bureau, Congressional Budget Office, Office of the New York City Comptroller analysis

An integral portion of the labor force in New York City is foreign born. In Table 3 we present the share of foreign-born workers in New York City by industry broken down by naturalized, non-citizen, and likely undocumented individuals. A reduction in the labor supply of likely undocumented workers could have significant effects on a number of industries, and could be particularly adverse in construction and food services. Additionally, the [recent agreement](#) to share tax data between the Internal Revenue Service and Immigration and Customs Enforcement could lead to [lower tax compliance](#). The risk of being included in the Social Security Administration’s [“death master file”](#) could compound labor supply effects.

**Table 3. Share of Foreign-Born Labor Supply by Industry**

	<i>Naturalized</i>	<i>Non-Citizens</i>	<i>Likely Undocumented</i>	<i>Total Share</i>
<b>Construction</b>	22%	15%	23%	59%
<b>Accommodation &amp; Food</b>	22%	17%	17%	56%
<b>Utilities, Wholesale, and Transportation</b>	34%	11%	7%	52%
<b>Other services</b>	25%	14%	12%	51%
<b>Manufacturing</b>	25%	12%	11%	48%
<b>Education &amp; Health</b>	29%	10%	3%	43%
<b>Retail</b>	22%	11%	9%	41%
<b>Finance, Insurance, and Real Estate</b>	24%	9%	6%	38%
<b>Professional &amp; Business Svcs</b>	19%	10%	6%	35%
<b>Government</b>	24%	8%	0%	33%
<b>Information</b>	13%	7%	4%	24%
<b>Entertainment</b>	12%	5%	5%	22%
<b>Total</b>	<b>24%</b>	<b>11%</b>	<b>7%</b>	<b>42%</b>

Source: IPUMS USA based on Census Bureau’s American Community Survey 2021-2023, Office of the New York City Comptroller. Data are by place of work for residents within the NY Metropolitan Area.

## Fiscal Impacts

The negative impacts of a declining New York City economy will also result in substantial decreases in New York City tax revenue bases. Projected New York City revenue collections under each scenario were estimated for four types of taxes: (i) Personal Income Tax (PIT), including the Pass-Through Entity Tax (PTET); (ii) [business income taxes](#), which include taxes on both corporations and unincorporated businesses; (iii) the Sales Tax; and (iv) real estate transaction taxes, which include both the Real Property Transfer Tax and the Mortgage Recording Tax. These four tax bases are the largest revenue sources except for the City’s property tax, which, however, reacts slowly to changes in economic conditions.

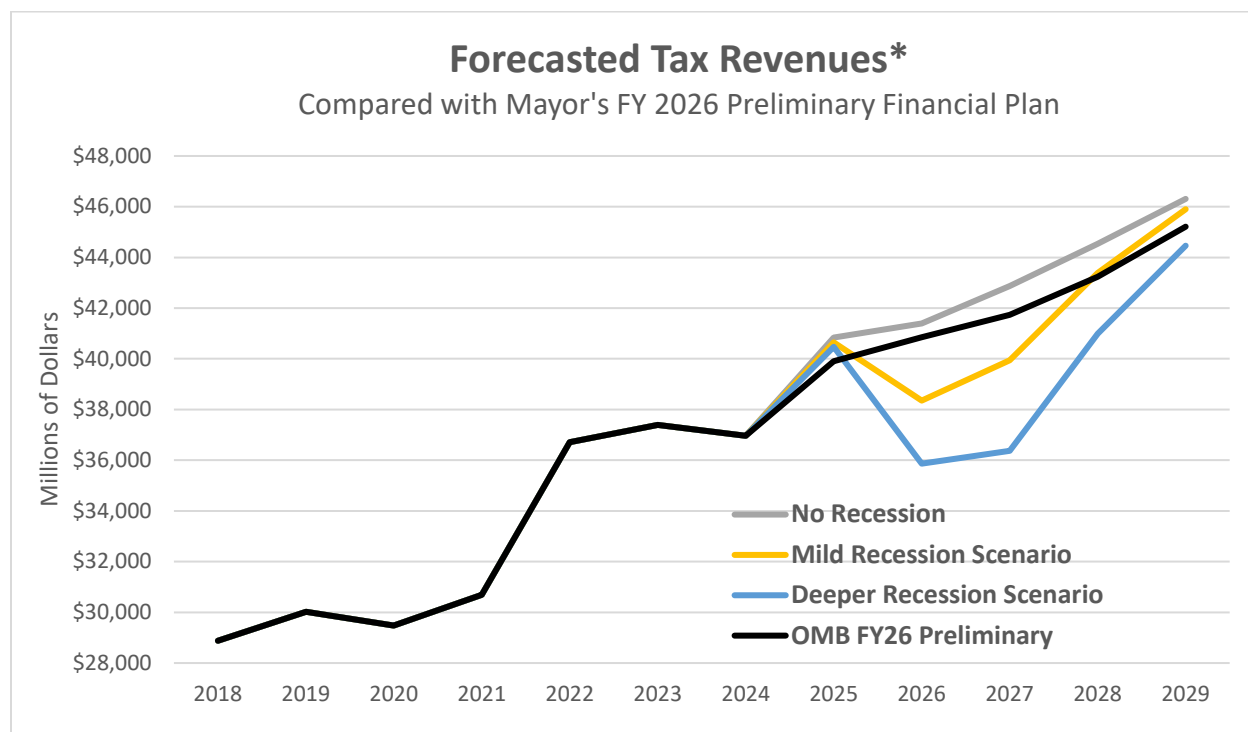
Personal and business income tax revenues are sensitive to both economic and financial market downturns through several channels. Lost jobs and downsized bonus incentive pay result in slow or negative growth in total wages and salaries, thereby lowering taxable incomes. Meanwhile, lowered capital gains from asset sales and diminished business income for sole proprietors, partnerships, and other pass-through entities, further erode income tax collections. Declines in the financial sector’s profitability have a disproportionate impact on business income tax collections.

The sales tax and real estate transaction taxes fall because of declining incomes, both from wages and from capital gains and business income. Additionally, investment in commercial real estate is dependent on overall business conditions, including policy uncertainty, and asset prices. Tariff-induced price increases may temporarily help sales tax collections, but declining consumer spending as a result of reduced employment and wage growth, combined with demand reduction from the higher price levels, could have a stronger impact and reduce sales tax collections.

Chart 4 below shows forecasted tax revenues under each scenario relative to the projections in the Financial Plan issued in January (a detailed breakdown by tax category can be found in the Appendix).

In the no recession scenario, we forecast that collections exceed the current Financial Plan’s assumptions by relatively small amounts of \$0.5-\$1.3 billion over the forecast horizon. In the mild recession scenario, collections in FY 2026 and FY 2027 are cumulatively \$4.3 billion below the Financial Plan. In the deeper recession, revenues in FY 2026 and FY 2027 are below the Financial Plan projections by \$10.4 billion and do not fully recover within the forecast horizon.

## Chart 4.



Source: Mayor’s Office of Management and Budget, Office of the New York City Comptroller analysis

\*Note: Tax revenues shown are for PIT/PTET, business income tax, sales and use tax, and real estate transaction taxes.

We used common rate and base revenue estimates to compare forecasted year-over-year growth rates with past recessions. The table shows that both recession scenarios would generate revenue losses only for one year, contrary to historical standards of 2-3 years of decline. The mild recession shows a loss in year 1 deeper but comparable to FY 1990. The deeper recession shows a loss in year 1 more in line with the 9/11 and 2008 recessions.

**Table 4. Comparison of Revenue Growth Rates with Past Recessions**

	Year 1	Year 2	Year 3	Year 4
Mild Recession	-5.5%	4.1%	8.6%	5.8%
Deeper Recession	-11.2%	1.4%	12.7%	8.4%
FY 1990 – FY 1993	-3.9%	-2.4%	-0.8%	6.9%
FY 2002 – FY 2005	-13.7%	-3.4%	14.3%	20.6%
FY 2009 – FY 2012	-12.1%	-8.4%	11.1%	2.4%
<b>Average of previous recessions</b>	<b>-9.9%</b>	<b>-4.7%</b>	<b>8.2%</b>	<b>10.0%</b>

Sources: Mayor’s Office of Management and Budget, Office of the New York City Comptroller analysis. Includes personal and business income taxes, the sales tax, and real property transaction taxes.

## The Status of the City’s Rainy-day Reserves

In all scenarios, we expect FY 2025 tax revenues to be above current budget expectations. Given the uncertainty of the economic landscape, the implication is that the City should make a deposit in its rainy-day fund this year. In 2022, [we proposed](#) an overall target size of 16% of tax revenues in rainy-day fund reserves and a formula to, over time, attain the target. At the end of FY 2024, the Revenue Stabilization Fund (RSF) had a balance of \$2.0 billion while the Retiree Health Benefit Trust (RHBT), which the City has previously used as a *de facto* rainy-day fund, had a balance of \$5.0 billion. We note that the two reserves are not perfect substitutes: while RSF is a true rainy-day fund, RHBT reduces the net accrued liability from retiree health care obligations. But even summing the balances, they only amount to 55% of the overall target.

Based on the forecasts in the three scenarios, the formula indicates that the City should deposit between \$966 million and \$1.15 billion into RSF at the end of FY 2025.

## Market Fluctuations and the City’s Pension Funds

The City’s pension systems are invested broadly, for the long term, and on solid ground to meet all obligations to our city’s retired teachers, cops, firefighters, and all municipal workers.

Still, the magnitude and design of recent country-specific tariffs have caused a dramatic drawdown in US and global equity markets, pushing domestic equity markets into bear market status (down 20% from recent February peaks). This drawdown was accompanied by a three-fold spike in equity market volatility reflecting market concerns over a protracted and damaging trade war, which has adverse implications for economic growth, inflation, corporate earnings, and capital flows.

US Treasuries had initially benefited from flight-to-quality buying on increased recession fears, escalating demand for liquid assets, and a desire to avoid stock price volatility, pushing yields down and bond prices up. These trends were abruptly reversed with bond prices declining and yields spiking higher in what was considered to be a loss of confidence in US assets, including the US dollar, which lost significant value relative to other currencies. Investment-grade and high yield corporate bonds, however, have sold off on a widening of credit spreads indicating increased default risk in a higher interest rate environment and in a recession. The impact on private assets has yet to be seen given the less frequent valuations across alternative investments. However, the US IPO market has stalled and mergers and acquisition activities critical to private equity exists and cash distributions have ground to a halt.

Despite the recent angst associated with the spike in market volatility and decline in equity prices, the five New York City public pension systems remain well-positioned to weather these temporary market situations given their extended investment horizon reflecting the long-term nature of the pension systems' obligations. The portfolios of investments and pension liabilities extend well beyond business and market cycles and will span many political regimes and administrations. In addition, the portfolios are designed to be resilient through careful and considered asset class, strategy, manager, and geographic diversification. While some very recent investment outcomes have been affected, the portfolios are well-positioned to achieve the actuarially assumed rate of return on average over time. The pension systems have ample liquidity within their portfolio holdings to meet benefit payment and capital call obligations, and we are not seeing excessive distress among external investment managers caused by recent market volatility. In addition, the portfolios remain within their targeted strategic asset allocation ranges and basket clause limitations.

That said, if not reversed, market losses will affect the returns of the City's pension funds' investments. The City makes pension contributions each year on behalf of its employees which are then invested alongside member contributions in diversified portfolios across asset classes with the goal of maximizing risk-adjusted returns over the long-term. While benefits are guaranteed to members regardless of investment returns, contributions from the City increase if returns fall below the Actuarial Interest Rate (AIR) of 7% in any given year (and *vice versa*). The change in City contributions is phased in over five fiscal years to avoid drastic changes due to market conditions. For each percentage point below (above) the 7% return assumption in FY 2025, the City's pension contributions would increase (decrease) by approximately \$58 million starting in FY 2027 growing to \$329 million in FY 2031. As [previously reported](#), over the long term, returns have matched the 7% actuarial assumption and the City pension funds are well-funded—the funded ratio at the close of FY 2024 year was 83% compared the US average for public pension plans of 78%.

## Additional Fiscal Risks

As noted above, the scenarios do not include all downside risks for the New York City economy from Trump's policies, such as greater reductions in the education or healthcare sectors stemming from federal funding cuts, the reduction of tourism-related taxes, or the direct loss of

federal funding to the City. One area that is particularly difficult to predict is the impact on commercial real estate transactions, where there could be downside risk due to economic uncertainty and tighter financial conditions even in the no recession scenario. Nor are the potential impacts of more aggressive immigration enforcement and lower international migration explicitly addressed.

Other fiscal risks exist for the expenditure side of the City's budget. An economic downturn can increase the need for services and spending on social assistance, and higher inflation will ultimately inform downstream collective bargaining and other contracts. The tariffs (and, if sustained, the depreciation of the US dollar) will increase construction costs and the City's capital outlays as well.

The increase in benchmark bond yields will be reflected in higher debt service on projected issuance and diminished refinancing opportunities. While the interest rate assumptions for new borrowing in the financial plan remain relatively conservative for tax-exempt debt, the same cannot be said for taxable debt (which the City uses to finance capital expenditures for housing). If sustained, the increase in yields will reduce future budgetary savings or increase planned debt service costs. The [feared but as yet unconfirmed](#) cap or repeal of the tax exemption on government bonds would exacerbate the adverse fiscal impacts.

## Conclusions

The first 100 days of the second Trump administration have brought policy upheavals and uncertainty whose effects are only starting to trickle through the economy. In this Spotlight we explore a number of scenarios for the US and New York City economies, as well as local tax revenues. The scenarios focus on the economic implications of trade policy, but we acknowledge that fiscal and immigration policies bring additional risks that are not fully addressed in our projections.

Tariffs and ensuing retaliation can be thought of as a supply shock, capable of increasing inflation or reducing economic activity, or a combination of both. The three scenarios that we put forth—no recession, mild recession, deeper recession—provide a range of plausible outcomes for the New York City economy and fiscal situation. While we don't associate probabilities with each of these, the mild recession appears to us closer to the baseline. At the same time it seems unlikely (but not impossible) that the actual outcome may fall outside the range we provide.

Just like families and businesses, the City is facing great uncertainty just as it approaches the final stages of its budget process for FY 2026. Our estimates suggest that the impacts of a recession on tax revenues, while possibly less severe than in the past, could be significant. As tax revenues for the rest of FY 2025 appear to be on track to exceed budget expectations, the City should not waste the opportunity to deposit resources in its rainy-day fund to shore up finances in FY 2026 and beyond. In addition, as proposed in [our report on the City's Preliminary Budget](#), \$1 billion should be added to the City's general reserve fund in FY 2026, to help protect New Yorkers from the broader fiscal uncertainties stemming from the Trump administration's funding cuts and immigration policies.

# Acknowledgements

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# Appendix

## Detailed Revenue Risks and Offsets Relative to the Mayor's FY 2026 Preliminary Financial Plan

In \$ Millions

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
<b>Personal Income Tax and Pass-Through Entity Tax</b>					
<i>No recession</i>	638	552	368	331	375
<i>Mild recession</i>	585	(851)	(971)	(118)	261
<i>Deeper recession</i>	502	(2,165)	(2,634)	(1,121)	(308)
<b>Business Income Tax</b>					
<i>No recession</i>	189	(118)	587	777	341
<i>Mild recession</i>	101	(649)	(250)	329	163
<i>Deeper recession</i>	45	(1,206)	(1,262)	(382)	(178)
<b>Sales Tax</b>					
<i>No recession</i>	1	(30)	6	9	198
<i>Mild recession</i>	(27)	(875)	(558)	(163)	146
<i>Deeper recession</i>	(50)	(1,369)	(1,208)	(587)	(200)
<b>Real Estate Transaction Tax</b>					
<i>No recession</i>	114	206	245	244	252
<i>Mild recession</i>	94	(55)	50	168	188
<i>Deeper recession</i>	79	(177)	(192)	(85)	6
<b>Total: Re-forecasted Taxes</b>					
<i>No recession</i>	942	610	1,205	1,362	1,166
<i>Mild recession</i>	753	(2,430)	(1,729)	215	758
<i>Deeper recession</i>	575	(4,917)	(5,296)	(2,174)	(680)

Source: Mayor's Office of Management and Budget, Office of the New York City Comptroller analysis. The amount of PIT is net of the tax reductions proposed in the FY 2026 NY State budget but not yet enacted at the time of writing. For comparison purposes, we used the Mayor's Office scoring, which starts at \$63 million in FY 2026 and grows gradually afterward. As noted in our report on the New York City FY 2026 Preliminary Budget, we estimate that the fiscal impact could be as much as 25% smaller.





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