



NEW YORK CITY COMPTROLLER
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Spotlight

NYC Personal Income Tax 2019-2021

BUREAU OF BUDGET

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NYC Personal Income Tax 2019-2021

Tax revenues from New York City's Personal Income Tax (PIT) increased by 11 percent in each of the first two full fiscal years following the start of the COVID-19 pandemic (FYs 2021 and 2022). Recent preliminary 2021 tax return data from the New York State Department of Taxation and Finance (in addition to return data from 2020 and 2019) reveal some of the principal sources of income growth among NYC residents in this period and shed further light on income distribution in the City and the pandemic's impact.

In calendar year 2020, New York City tax filers' incomes overall rose by 5 percent despite the substantial economic disruptions of pandemic-related shutdowns. But those gains were not evenly distributed. Table S1 shows how income growth was concentrated among the lowest-income filers, with incomes below \$50,000 per year (who saw aggregate gains of \$3.7 billion as a result of increased pandemic unemployment benefits), and especially among the very highest income filers with incomes exceeding \$25 million (fewer than 1,000 households, who saw aggregate gains of over \$21 billion mainly as a result of increased capital gains which include the effects of stock market appreciation). Considered together, filers with incomes in between \$50,000 and \$25 million – who accounted for over 80 percent of NYC PIT liability in 2019 – collectively saw their incomes fall slightly in 2020.

For calendar year 2021, households earning under \$50K saw their incomes shrink by 3.5 billion, reversing nearly all the gains they had seen in 2020, due to a decline in unemployment benefits. Income growth was again led by a very large increase among the fewer than 1,000 tax filers with annual incomes above \$25 million, who saw their aggregate incomes increase nearly 85%, or over \$40 billion. But unlike in 2020, all other income groups above \$250,000 also saw substantial income growth.

Table S1. NYC Income Changes by Income Level, Calendar Years 2019-2021

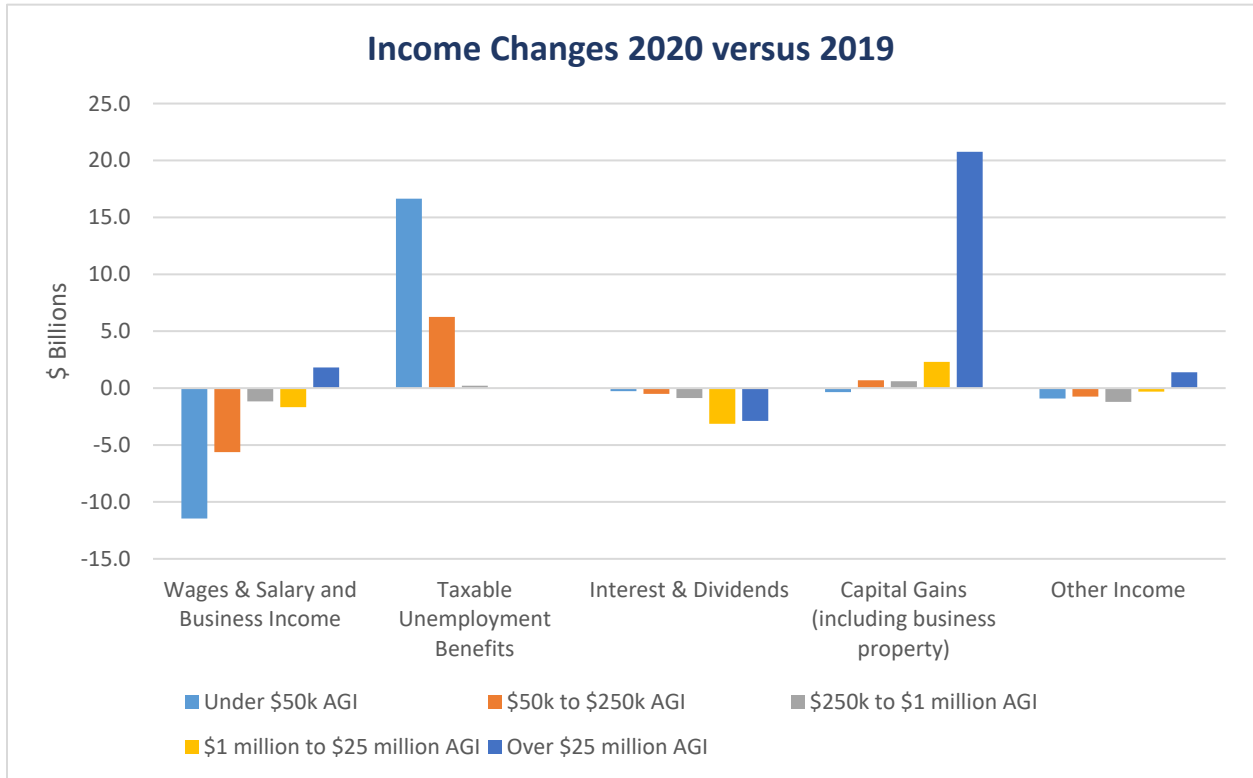
Adjusted Gross Income (AGI)	Change in AGI (2020 vs 2019)		Change in AGI (2021 vs 2020)	
	\$ Billions	Growth Rate	\$ Billions	Growth Rate
Under \$50k	3.7	7.4%	-3.5	-6.5%
\$50,000 to \$250k	0.1	0.0%	0.7	0.5%
\$250k to \$1 million	-2.4	-3.4%	9.2	13.6%
\$1 million to \$25 million	-2.8	-3.2%	17.9	21.3%
Over \$25 million	21.1	53.8%	40.7	84.5%
All Filers	19.6	5.0%	65.1	16.4%

SOURCE: 2019-2021 Article 22 Personal Income Tax (PIT) Population Study Files (New York State Department of Taxation and Finance) and Office of NYC Comptroller. Growth rates for 2021 are based on difference between 2020 and 2021 preliminary files. Growth rates for 2020 are based on the 2020 and 2019 “final” files. All tax data tabulations in this Spotlight define NYC tax filers as those where the primary filer is reported present in NYC for six-or-more months of the year. Dependent returns are included.¹

Across the two years, the amount of income for filers in the \$25+ million category, representing approximately 1-in-5,000 of NYC households in each year, grew by \$61.8 billion or 73% of total net personal income growth in NYC of \$84.7 billion.

Chart S1 provides a closer look at the sources of income that contributed to income growth in 2020. For the lowest-income tax filers, changes in their incomes were dominated by a large decline in wages, salary, and business income that was more than offset by increased unemployment benefits. As also highlighted in an earlier [Spotlight](#), the expansion of unemployment insurance was one of the largest fiscal programs implemented in 2020 and 2021. Others, like Economic Impact Payments and the expansion of child tax credits are not captured in NYC income returns. For the middle-income group—from \$50,000 to \$250,000—a decline in wages and business income was nearly exactly offset by an increase in unemployment benefits. For high-income households, large changes in income came through capital gains realizations, and most of these gains were realized by the 633 highest-income tax filers (the top 0.02%) with incomes above \$25 million, who saw their incomes increase by over \$20 billion more in 2020 than in 2019.

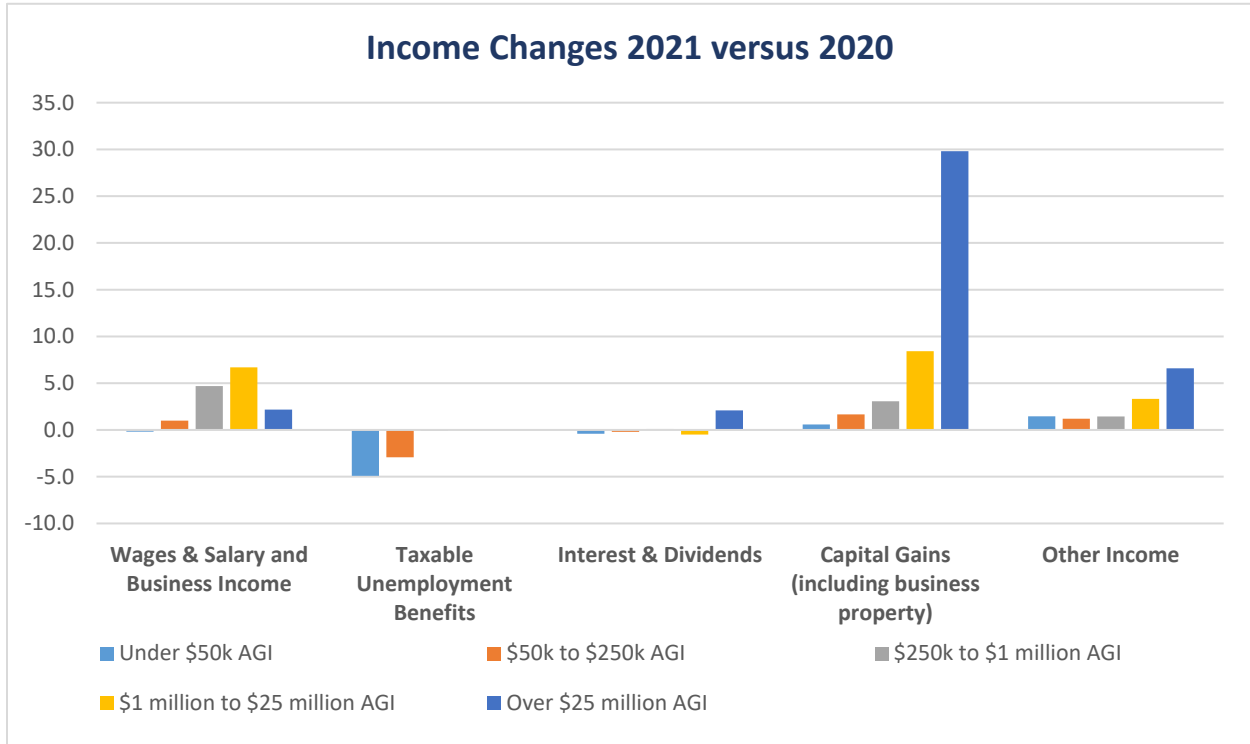
Chart S1



Source: 2019-2020 Article 22 Personal Income Tax (PIT) Population Study Files (New York State Department of Taxation and Finance) and Office of NYC Comptroller. Changes are based on the 2020 and 2019 final files.

Chart S2 shows an even stronger role for capital gains realizations in 2021. The 942 filers in the \$25+ million group in 2021 saw realized gains were nearly \$30 billion more than in 2020.

Chart S2



Source: 2020-2021 Article 22 Personal Income Tax (PIT) Population Study Files (New York State Department of Taxation and Finance) and Office of NYC Comptroller. Changes are based on the 2020 and 2021 preliminary files.

There were also large capital gains realizations by other high-income groups in 2021, with a total increase in capital gains of \$43 billion (+66% relative to 2020). Wages and salaries rose by over \$11 billion in 2021 and business income grew by nearly \$3 billion, with growth concentrated in the income groups from \$250,000 to \$25 million. Taxable unemployment benefits declined in 2021, driving declining incomes in the under-\$50k group and the slow income growth in the \$50-\$250k group. Unemployment benefits were \$23 billion in 2020 and fell to \$15 billion in 2021. Nevertheless, these benefits remained substantially higher than the pre-pandemic level of \$0.5 billion declared in 2019.

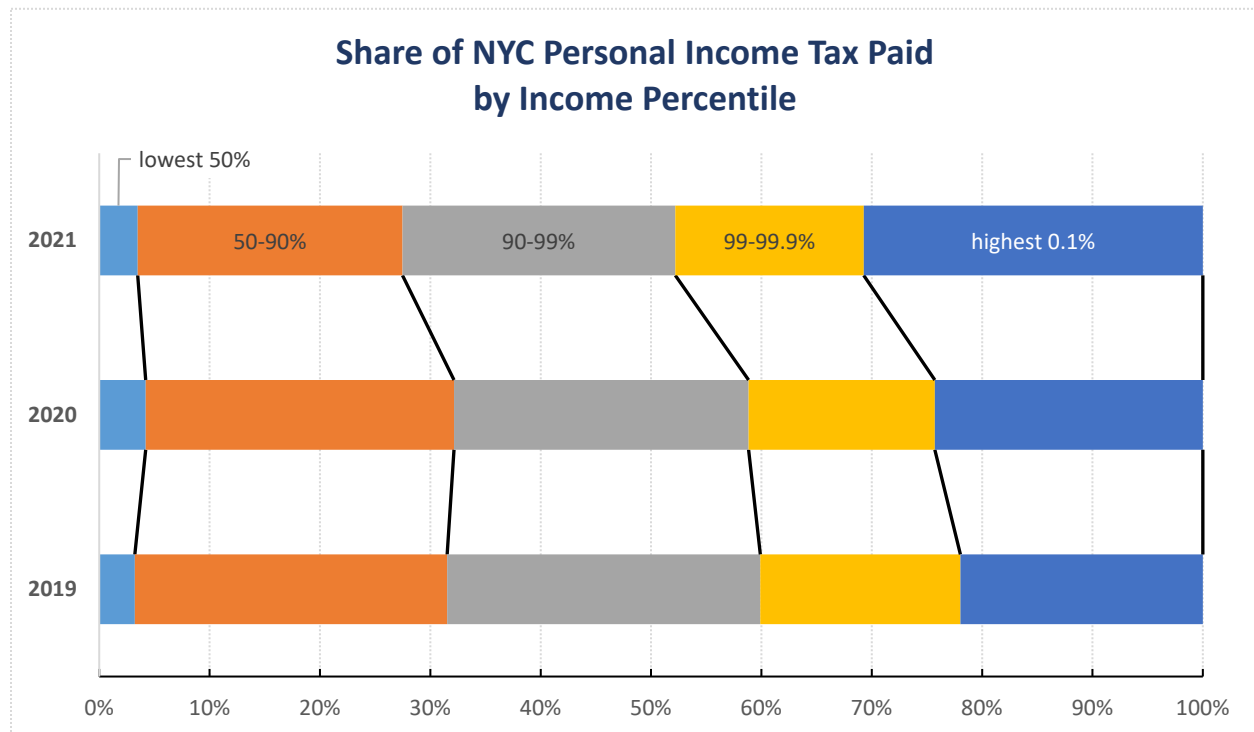
We expect that tax returns for 2022 will show a drop in income. First, capital gains realizations in 2022 are expected to be much lower than in 2021, with a bear market prevailing through much of the year and stock market valuation ending the year [lower](#) than where it began. Beginning in June 2022 and continuing through January 2023, PIT estimated tax installments collected have fallen nearly 40 percent versus the prior year. Furthermore, federal pandemic-related subsidies and extensions of unemployment insurance ended in 2021, which likely means that unemployment benefits in calendar year 2022 returned to near their pre-pandemic level.

The only major income category we expect to have risen in NYC in 2022 is wages, reflecting large Wall Street bonuses paid in early 2022 (based on business activity in 2021) as well as continued employment and salary growth in the City overall throughout the year. We estimate that overall bonuses fell approximately 18 percent in the most recent season (as [estimated](#) by the NYS Comptroller, the securities industry bonus pool dropped 21 percent, returning to pre-pandemic levels). However, most of the effect of this decline will show up in the 2023 tax year.

The Distribution of Tax Liability

The distribution of NYC PIT liability is shown in Chart S3. In 2021, the top 1 percent of tax filers accounted for 48 percent of NYC PIT liability, a share that has grown from 40 percent in 2019. While a small number of people pay a large share of personal income tax, the same top 1 percent of tax filers also earned 43 percent of all the income in 2021. This has been mainly a result of the large increases in capital gains realized by the top 0.1% of filers. We expect the share of NYC personal income tax paid by the highest-income New Yorkers to decline in tax years 2022 and 2023 due to lower capital gains realizations.

Chart S3



Source: 2019-2021 Article 22 Personal Income Tax (PIT) Population Study Files (New York State Department of Taxation and Finance) and Office of NYC Comptroller. Shares are based on the 2019-2021 preliminary files for comparative purposes.

Table S2 shows the count in each year of tax filers by income group. The 2020 tax year data shows declines in the number of NYC tax filers with high incomes that year, with a nearly 7 percent drop among those with \$1 million or more in Adjusted Gross Income (AGI) versus 2019. In 2021, the data go much more strongly the other way, rising by more than 21 percent and surpassing the 2019 number of millionaires.

The aforementioned stock market appreciation and related large increase in capital gains drove the growth in the number of NYC filers in higher-income groups in 2021. Correspondingly, we expect the number of high-income filers to drop in 2022 filings, principally because of lower capital gains and realized losses.

An increase in taxable unemployment benefits and the availability of new tax credits—both temporary pandemic-related changes—caused the rise in the number of filers seen in the under \$50k income group in 2020, as certain filing households were previously not required to do so. In 2021, a partial unwinding of these benefits likely contributed to the reduction in the number of returns in this group. But also influencing the diminishing return counts is the fact that NYC has seen declining overall population through the post-pandemic era. The Census Bureau recently released a new set (“vintage”) of [population estimates for NYC](#) covering the 2020-2022 period. The City’s population as of July 1, 2022 was estimated to be 8.34 million, a 400,000 decline since July 2020.

Table S2. NYC Changes in Number of Tax Returns by Income Level, 2019-2021

Adjusted Gross Income (AGI)	Growth in Tax Filers (2020 vs 2019)		Growth in Tax Filers (2021 vs 2020)	
	Returns	Growth Rate	Returns	Growth Rate
Under \$50k	94,450	3.6%	-178,553	-6.6%
\$50,000 to \$250k	11,569	0.8%	-18,280	-1.3%
\$250k to \$1 million	-5,040	-3.1%	19,279	12.2%
\$1 million to \$25 million	-2,057	-6.7%	5,638	20.0%
Over \$25 million	87	15.9%	375	66.1%
All Filers	99,009	2.3%	-171,541	-3.9%

Source: 2019-2021 Article 22 Personal Income Tax (PIT) Population Study Files (New York State Department of Taxation and Finance) and Office of NYC Comptroller. Growth rates for 2021 are based on difference between 2020 and 2021 preliminary files. Growth rates for 2020 are based on the 2020 and 2019 final files.

Conclusion

The available data for the first two pandemic years shows income gains and increased personal income tax liabilities that are dominated by capital gains realizations and concentrated among the top 1% of tax filers. The highest income New Yorkers saw immense gains due to large stock market gains while lower income New Yorkers were at first buoyed by federal aid in 2020 but then lost income in 2021 when it expired. Capital gains are expected to decline in the 2022 tax data due to the bear market.

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Endnotes

¹ Additional late-filed returns will be added to the income totals when the final return file is released. In past years, these later filers have been a very small fraction of filers, although they often have substantial capital gains income that can meaningfully increase income aggregates. Despite this uncertainty, the basic qualities of the observed rise in capital gains realizations are unlikely to change with the final filers. Capital gains including business property sales in the 2021 preliminary file were \$108 billion. This exceeds the 2020 preliminary file total for gains by over \$43 billion and even exceeds gains in the final 2020 by more than \$33 billion.





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