

Overview

Total tax revenue, including audits, is forecast to increase 4.3 percent in 2012 and 3.5 percent in 2013. Tax detail and legislative history can be found in the OMB publication “Tax Revenue Forecasting Documentation, Financial Plan, Fiscal Years 2011-2015.”

Forecast Summary for 2012

Non-property tax revenues¹ are forecast to increase 3.0 percent in 2012, after an increase of 11.7 percent in 2011. The slowdown in growth reflects a generally modest economic rebound in the City dampened by a weak year on Wall Street.

In 2012, *personal income tax* revenue² is forecast to increase 5.0 percent, the second year of recovery, following two years of decline. Strong employment gains and modest wage growth in the non-financial sectors of the economy helped mitigate the poor performance in the finance sector.

The weak performance on Wall Street also hampered business tax collections. After a spectacular rebound in 2011, *general corporation tax* revenue is forecast to post respectable growth of 8.7 percent in 2012. General corporation tax payments from non-finance firms have risen by 12.3 percent in 2012, offsetting the 15.8 percent drop in payments from finance sector firms. *Banking corporation tax* revenue is forecast to decline by 4.5 percent, following a 38.9 percent surge in 2011. Bank tax payments remain generally robust in 2012 compared to the collapse during the great recession, reflecting a high level of bank profitability due to Federal monetary stimulus. *Unincorporated business tax* revenue is forecast to drop 2.2 percent, following a strong performance in 2011, reflecting volatility in the hedge fund industry.

Sales tax revenue is forecast to rise modestly by 4.5 percent, as employment gains and rising consumer confidence lift taxable consumption in the City. Sales tax revenue growth is also supported by strong tourist consumption as the number of City visitors, both foreign and domestic, remains high. The strong tourism has also propelled the *hotel occupancy tax*, which is up 13.2 percent in 2012.

As the real estate markets have stabilized, *real property transfer tax* and *mortgage recording tax* have both rebounded from the depths of the 2010 levels, although the revenue from the two taxes remain well below the historic levels seen in 2007. The *real property transfer tax* revenue is forecast to increase 14.5 percent in 2012 after jumping 29.3 percent the prior year, resulting from a rebound in high-value commercial transactions. *Mortgage recording tax* revenue is forecast to increase 18.8 percent as credit market conditions improve for commercial transactions and refinancing of residential properties continues despite weakness in residential transactions.

Property tax revenue is forecast to increase 6.1 percent, based upon 5.2 percent growth in billable assessed value. *Commercial rent tax* revenue is forecast to increase 4.3 percent.

Forecast Summary for 2013

Non-property tax revenues are forecast to increase 4.3 percent in 2013 as the local economy continues to expand modestly, although low levels of Wall Street profitability and bonus payments limit overall growth. Personal income tax revenue is expected to increase 6.3 percent as a result of steady employment gains. In addition, the personal income tax is expected to be lifted by individuals realizing capital gains in advance of a significant increase in the Federal capital gains tax rate. Tax payments from business taxes are forecast to increase 1.6 percent over the prior year, reflecting strong non-finance sector profitability in calendar year 2012, but weak finance sector

1. The total non-property tax revenue includes audits.
2. Personal income tax revenue includes School Tax Relief (STAR) reimbursement from New York State.