December 2024

Local Projections Amidst National Uncertainty

Details on IBO's Economic and Revenue Forecasts

Uncertainty Generated by Presidential and Congressional Elections

Compared with many of New York City Independent Budget Office (IBO)'s recent forecasts after the radical upheaval of COVID-19 pandemic on the local economy subsided, this economic forecast carries an extremely high level of uncertainty. The re-election of Donald Trump to the presidency after four years, along with Republican majorities in the Senate and House of Representatives, represents a substantial change of course in national politics. This creates many open questions regarding the future of economic and tax policy at the federal level, which have important and direct impacts at the state and local levels.

The ultimate impact of the incoming presidential administration and Congress on the national economy will depend upon the extent to which policy proposals floated during the election will materialize, how they are ultimately crafted, and how quickly policies are implemented. Additionally, several aspects of the local economy will depend upon the response of the State and City to any such changes at the federal level. This soon after a national election, with an incoming presidential administration still taking shape and not yet in office until early next year, consensus has not yet formed about the most likely path forward along many dimensions. New York City is also gearing up for its next City-wide and mayoral election at a time when the interplay between levels of government will be particularly important.

This report discusses IBO's independent economic and revenue forecasts. IBO elaborates on three key federal policy areas that IBO will be closely tracking—tariffs, immigration, and the federal income tax code—and the ways in which proposed national policies could filter down to local economic and revenue impact. Additional concerns at the State level are also noted.

National Economy

Due to the timing of generating this forecast and preparing this report, the forecast remains for the most part informed by macroeconomic consensus before election results were realized. Future reports, specifically those slated to be released in February and May in conjunction with the City's Preliminary and Executive Budgets for fiscal year 2026, will incorporate all available information about changes in Washington as they develop and the policy landscape becomes clearer.

As such, the economic story at the national level is one of continued growth following the soft-landing of the economy from COVID-era disruptions. Inflation has been substantially reduced from its 2022 peak, leading to two successive reductions in the federal funds rate since September. A lower interest rate environment encourages investment and spending, boosting general economic growth. Even throughout

Tracking Potential Policy Changes in Washington: Tariffs

Increased tariffs on goods imported into the United States were a centerpiece economic policy of the Trump campaign. The specific nature and scope of these tariffs has not been fully defined and has changed over time. The most recently proposed idea from the president-elect includes a 25% tariff on goods imported from Canada and Mexico, along with an additional 10% tariff on goods from China. As the country's three largest trading partners, this would affect a substantial number of goods consumed in the United States, including agricultural products, oil, lumber (critical to the construction industry), automobile components, and electronics.

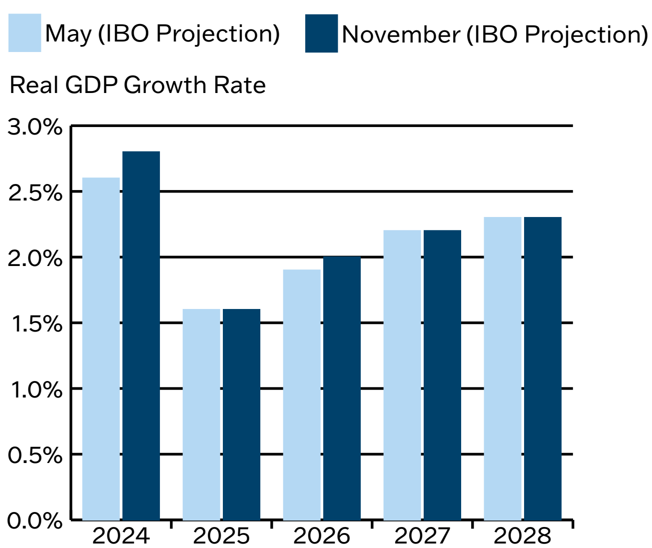
The widespread imposition of new tariffs, higher tariff rates, or both, on goods imported to United States would, to some degree, put upward pressure on prices for direct goods, indirect goods, and services. This could mean a return to increasing inflation, after the recent history of falling inflation following COVID-era disruptions. If the Federal Reserve continues to follow recent behavior in reaction to inflationary pressure, interest rate reductions are likely to slow, if not cease entirely, dampening consumer activity and potentially reducing tax revenue tied to areas such as tourism and the real estate market.

the high-inflation period, real (inflation adjusted) GDP and employment growth continued and consumer expenditures have remained robust, substantially diminishing the possibility of a recession in the near term. GDP refers to gross domestic product, an overall measure of the size of a country's economy.

Following an estimated real GDP growth rate of 2.8% in 2024, once the fourth quarter is realized, IBO projects that growth will slow to 1.6% in 2025. (All years in this section refer to calendar years, unless otherwise noted.) A slowdown in GDP growth was already expected before the election, as post-COVID strength throughout the economy continues to temper back toward a long-term sustainable growth path. Following continued strong growth through the summer, IBO likely would have, in a non-election year, slightly increased its GDP growth outlook relative to our last forecast in May. However, the high level of uncertainty over future economic policy, elaborated throughout this report, has led to an offsetting

Figure 1

Real GDP Growth Projection Remains Slower in 2025, Despite Stronger than Anticipated 2024



SOURCE: IBO May 2024 and November 2024 Economic Forecasts

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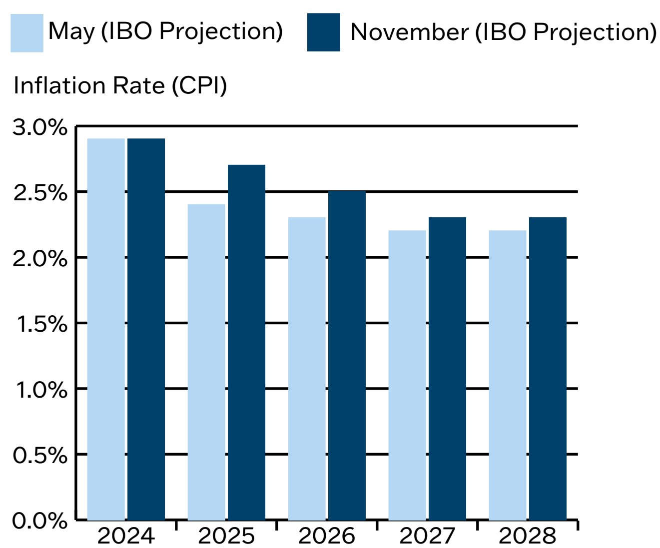
Figure 2

Path Toward Federal Reserve Inflation Target Projected to Slow, Releative to Expectations in May



SOURCE: IBO May 2024 and November 2024 Economic Forecasts

New York City Independent Budget Office reduction in expectations (see Figure 1). Following this GDP growth dip in 2025, growth is projected to tick back up to an average of 2.2% in 2026 through 2028.

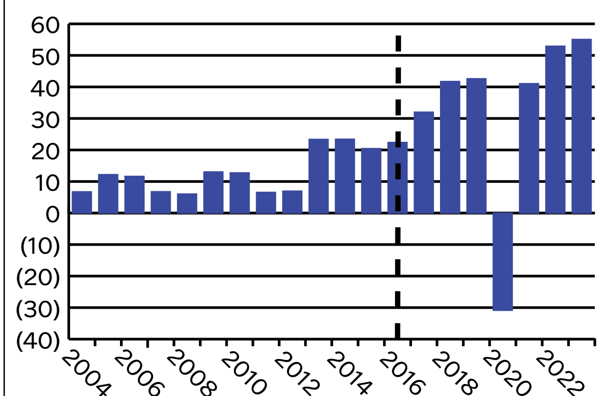
While expectations for GDP growth have been temporarily dampened by federal policy uncertainty, the inflation rate's path of reduction is projected to slow. Down from a peak annualized rate near 10% in mid-2022, IBO estimates that growth in the consumer price index (CPI) will end the year at 2.9% in 2024. While IBO previously predicted a quicker path of reduction toward the Federal Reserve target around 2.0%, IBO now forecasts inflation of 2.7% in 2025, and an average of 2.4% in 2026 through 2028 (see Figure 2). Amidst this environment, IBO projects three additional cuts to the federal funds rate between now and the end of 2025, a number that would have been higher if inflation had continued to fall on a faster path toward the target.

Local Economy

IBO forecasts local economic conditions using an internal model that accounts for the estimated relationships between various economic indicators.[1] As its basis, the model incorporates forecasts of national economic performance from a variety of sources, with the aim to produce a forecast that is consistent across different measures of economic activity and between the local and national levels. However, the City's economy is also dependent upon specific local dynamics including its unique industrial mix (in which the finance industry plays a key role), the size and activity of the residential and commercial real estate markets, and particular concerns about constraints to the labor force. IBO's current local economic forecast does not directly include the effects of any potential policy changes at the federal level, until more detailed policy proposals materialize.

Tracking Policy Changes in Albany: The Consumer Directed Personal Assistance Program (CDPAP)

Growth in Ambulatory Care and Social Assistance Sectors



SOURCE: Bureau of Labor Statistics
NOTES: Dashed line indicates implementation of changes to CDPAP. Home health care related sectors include the ambulatory care and social assistance subsectors of the health care industry, which contain the majority of—but not all—home health care aides, and are not exclusive to the home health care industry.
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New York state's Consumer Directed Personal Assistance Program has allowed for a class of home health care aides to become eligible for wages and certain employment benefits as part of the Medicaid system. The program was expanded in 2015, to allow greater access to family members or friends who may have already been caring for a loved one in this capacity. This has seemingly resulted in vast numbers of jobs created according to official payroll employment statistics, something IBO has been tracking since as early as 2019 (see IBO's previous reporting).

A more recent change in State policy is aimed at curtailing the number of fiscal intermediaries (FIs), firms that translate Medicaid funding into relevant benefits, provide payroll services, and act as employers of record for such aides. There have recently been upwards of 600 FIs in operation, and the goal is to ultimately reach a single unified statewide contract. This change is scheduled to go into legal effect on April 1, 2025. The effect on employment growth in this sector remains to be seen, as many home health aides can re-register with the newly authorized provider, but it is highly likely to diminish job growth in this industry, and thus employment growth in New York City moving forward.

Payroll employment growth has been a focus of New York City's post-pandemic economic recovery for the past few years, and the City has finally been able to claim full recovery in terms of the overall number of jobs. However, the composition of those job gains remains important. Generally lower paying jobs have remained the thrust behind overall job growth in recent years, and the current year is no exception. IBO projects final net job gains of 90,000 in 2024, measured on a Q4-to-Q4 basis. Of those, nearly 73,000 jobs come from two subsectors of the health care industry: ambulatory care and social assistance, which contain the majority of home health care aides. See the sidebar on the previous page for recent changes to State policy that may have an impact on this trend.

Other large lower-wage industries in the City have struggled to regain their pandemic losses. The leisure and hospitality sector remains lagging behind in its employment recovery, although it is projected to reach its pre-pandemic levels by 2027. The retail trade sector, however, is not projected to ever return to pre-pandemic levels of employment, as retail behavior—already shifting toward online shopping before the pandemic—has been permanently altered.

On the other end of the wage spectrum, finance and professional services have generally fared well, and employment in these industries has not faced any significant downturn since 2020, although the growth has been much less dramatic than in other sectors. The information sector, on the other hand, has seen two successive years of declining employment. In 2023, this was driven by layoffs in the technology sector, along with dual writers and actors strikes in the entertainment industry. Residual effects have lingered into 2024, although IBO expects upward revision for this industry when new official employment statistics are released early next year. A similar pattern holds in construction, which has seen losses this year to date that may be tied to depressed activity in the high-interest rate environment, but these numbers are also expected to be revised upward.

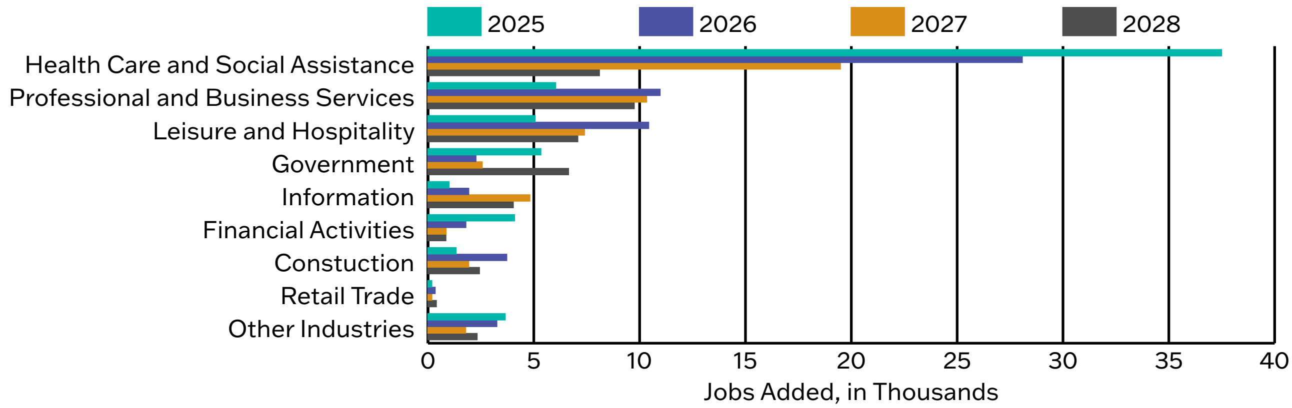
Tracking Potential Policy Changes in Washington: Immigration and Labor Force

Rhetoric over immigration, including asylum seekers, was a hallmark of the Trump campaign. Proposals include changes to or elimination of federal immigration programs such as deferred action for childhood arrivals (DACA), a policy currently making its way through the court system and subject to further action under the new presidential administration. Additionally, there is the possibility of increased enforcement efforts at the border and amongst the existing immigrant population where it already resides, including large-scale detention and deportations.

New York is a city of 8.3 million residents, according to the most recent Census data, and the population has been declining, annually, since 2020, alongside concerns about its aging. A notable number, 1.2 million (14.6%), of these residents are foreign-born non-citizens, a figure which is almost certainly undercounted. An even higher share of the labor force is made up by this group, at over 800,000 workers (18.8%), again likely an undercount when including workers participating in the informal economy. Any widespread attempt to deport foreign-born New Yorkers, encourage self-removal, or discourage in-migration, would have a pronounced negative impact on the City's already tight labor force. (See IBO's estimate of the economic costs of delayed work authorization for recently arrived asylum seekers.) A smaller labor force and tighter labor markets would disrupt employment growth in the City, constraining its tax base. It would also drive wages upward, and lead to additional inflationary pressure.

Looking forward, IBO projects job growth in the City to slow from its recent post-pandemic boom. In 2025, overall employment growth is projected to total 64,000 jobs, followed by gains of another 63,000 jobs in 2026. Growth is expected to gradually decline after this, to 49,000 jobs added in 2027 and 42,000 jobs in 2028. This is in part because of a substantial slowdown in the home health arena, which—even without any changes to the CDPAP policy—could not continue to grow at the same staggering pace. It is partially offset by an uptick in growth in other industries, particularly professional and business services, and leisure and

Figure 3
Job Growth in Health Care Projected to Slow, While Growth in Other Industries Continues



SOURCE: IBO November 2024 Economic Forecast

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hospitality (see Figure 3). These gains, however, are nowhere near enough to sustain employment growth at the same level that has been observed in recent years.

More broadly, the slowdown can be attributed to a labor force that is increasingly constrained. New York City has experienced a period of net population loss following the pandemic, and the population that remains is generally aging, putting further downward pressure on the size of the labor force. Continued employment growth at or near recent levels would require a substantial amount of in-migration, both domestic and foreign, a challenge for the City given its high relative cost of living and housing shortage, as well as changes in immigration policy—already enacted or proposed.

Tracking Potential Policy Changes in Washington: Federal Income Tax Code Provisions

Several provisions of the president-elect's signature tax law during his first term, the Tax Cuts and Jobs Act (TCJA) of 2017, are set to expire in 2025. Given unified Republican control of the White House and Congress, it is likely that many of these provisions will be extended, modified, or potentially expanded. These include provisions of the personal income tax code such as the increased standard deduction, the state and local tax (SALT) deduction cap, the child tax credit, and the increased estate tax exemption. Major provisions of corporate tax reform, including a substantially reduced top marginal tax rate are not set to expire, but rates may be reduced further. On net, these tax policies are expected to be revenue negative for the federal government, increasing the size of the federal deficit and debt, which could increase rates in bond markets. Forgoing federal revenue may spur major federal spending reductions on programs that provide benefits to New York City residents.

The extent to which these components of the federal tax code will directly affect local revenue depends on the degree to which the State tax code remains tied to (or "coupled with") its federal counterpart. For example, after the passage of TCJA, New York State created the Pass-Through Entity Tax (PTET) to reclassify a portion of income as a workaround to the federal cap on state and local taxes—the cap on SALT deductions being a notable concern for some New York taxpayers, particularly at the highest levels of income earnings. The stimulatory and offsetting effects of net tax cuts, encouraging economic growth and a larger tax base, depends upon the specific set of provisions enacted and the allocation of their effects across the income distribution, which remains to be seen.

During the pandemic, aggregate personal income in the City was supported by widespread government transfers, even as earnings, wages, and other forms of income temporarily suffered. Those transfers have faded away, but personal income has continued to grow, largely attributable to the employment growth discussed above. (See IBO's most recent reporting on New Yorker's personal income.) In particular, IBO's projections of continued expansion in key high-wage sectors are expected to continue to sustain personal income growth and large parts of the City's tax base. Wall Street profits have begun soaring again, and based on data from the first two quarters, IBO estimates profits of $40.1 billion in 2024, up from the average of $24.1 billion in the preceding two years, but still below the peak of $58.4 billion in 2021. Reports of particularly high finance industry bonuses this year will become observable once personal income tax withholdings data for December and January are available, and will be reflected in IBO's forecasting for the upcoming Preliminary Budget.

Like much of the rest of the country, there was a surge in real estate transaction activity in the City following the initial pandemic shock in 2020. Taxable real estate sales in New York City rose to $119.8 billion in 2022, their highest level since 2015. The high-interest rate environment created by the Federal Reserve's efforts to combat inflation has led to a slowdown in real estate transactions. Taxable real estate sales contracted to $86.8 billion in 2023, driven by a 23% decline in the value of commercial sales and a 31% decline in the value of residential sales. The value of commercial taxable sales in 2023 is 25% lower than its pre-pandemic 2019 level, while the value of residential sales is similar to its 2019 level. IBO forecasts aggregate taxable sales of $82 billion in 2024, followed by a significant rebound in the subsequent years, as interest rates ease and activity returns to pre-pandemic levels.

Finally, and also of major importance to the City's tax base, is the tourism sector, which continues its rebound from pandemic-era lows. Annual tourist visits are expected to surpass pre-pandemic levels in 2025. In conjunction, average daily rates for hotel rooms have also been rising and are projected to surpass $300 per night. A robust tourism industry supports employment and spending in the leisure and hospitality sector, which includes accommodations, food services, and arts and entertainment. One key feature to continue tracking will be the relative shares of visits that are purely for leisure, or visits for business—a type of travel that may be permanently altered in the long run given the widespread adoption of video conferencing.

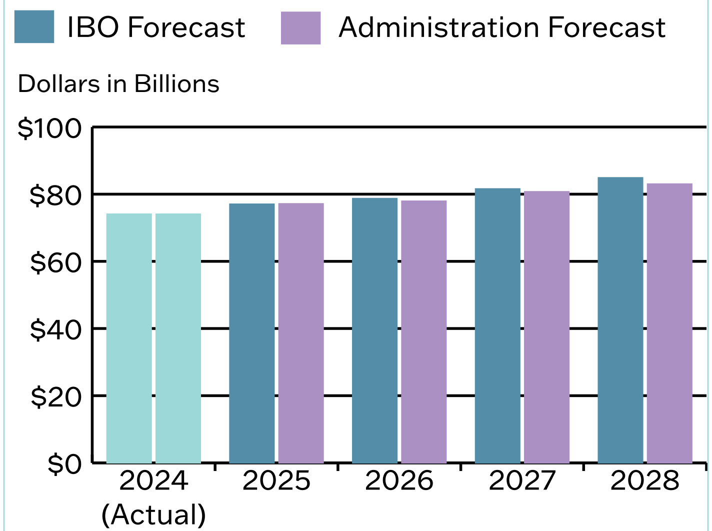
Overall, the local economic landscape, at the current point in time, is one of continued recovery from the major disruptions caused by the pandemic and on the verge of continued improvement. But with an incoming presidential administration that campaigned on a platform of anything but "business-as-usual," large economic and tax policy changes are bound to be on the horizon, with unpredictable and competing implications for how they will bear on the City's economy and revenues. For New York City, employment growth may slow and constraints on the labor force present a long-term challenge for which there are no easy answers. Post-pandemic recovery in many of the City's most economically important sectors suggest increasing stability for now, but new upheaval to the national and local economy appears to be on the horizon.

Details on IBO's Tax Revenue Forecast

Drawing from its forecast of the local economy, IBO estimates each of the City's major sources of tax revenue. As with IBO's national and local economic forecasts, these projections do not incorporate any specific assumptions about major policy changes at the federal level, though such changes could have a large impact on specific tax revenues in the future. The largest sources of City tax revenue are the Real Property Tax (44%), Personal Income Tax (25%), General Sales Tax (13%), and Corporate Taxes (9%), with all other taxes comprising the remaining 9%. Total tax revenue in 2025 is projected at $77.0 billion, nearly identical to the Administration's forecast of $77.1 billion—a difference of just $107 million, or 0.1%. (All years in this section refer to City fiscal years unless otherwise noted.)

IBO anticipates slightly faster tax revenue growth in the following years, leading IBO's forecast to exceed the Administration's forecast by a gradually widening amount. (See Figure 4.) In 2026, IBO projects $78.7 billion in tax revenue compared to the Administration's projection of $77.9 billion, a difference of $770 million (1.0%). By 2028, IBO projects $84.9 billion in tax collections, compared to the Administration's $83.0 billion, a difference of $1.9 billion (2.2%). These differences are somewhat smaller than those observed between IBO and the Administration in past November plans. This is in part because the Administration's revenue forecast now more closely aligns with the scenario that IBO has been largely projecting over the past year. Additionally, the massive uncertainty surrounding the future of the national economic landscape precludes IBO from making any major adjustments to its forecasts until the policy direction of the incoming presidential administration becomes clearer. The following sections will elaborate on IBO's current forecasts for each of the major tax revenue sources.

Figure 4
IBO's Total Tax Revenue Forecast Exceeds Administration's by Modest Amount Starting in 2026



SOURCE: IBO November 2024 Revenue Forecast; OMB November 2024 Revenue Forecast

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Property Tax. Real Property Taxes (RPT) are paid by owners of real estate in New York City. The amount of tax owed depends on the Class (type) of property, its value for tax purposes, and the applicable tax rate. Under State law, there are four classes of property in the City (see Figure 5). Based on the Department of Finance's final assessment roll for 2025, IBO's forecast of RPT revenue this year is $34.2 billion, $1.3 billion (4.1%) greater than 2024 receipts. (See Figure 6.) This is an upward revision of $604 million (1.8%) from IBO's May forecast. This change is driven largely by an unexpected increase in Class 3 utility property assessed values from the tentative to the final tax rolls.

Figure 5
Real Property Tax Class Descriptions

Class 1	One-, Two- and Three-Family Houses
Class 2	Apartment Buildings, Including Coops and Condos
Class 3	Utility Company Properties
Class 4	Commercial and Industrial Properties

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Class 3 assessed value grew by an atypically large 20% from 2024, and 13% between 2023 and 2024. By contrast, the Class 3 assessed value grew by about 6% annually, on average, between 2015 to 2023. New York State sets the assessed values of Class 3 properties. Despite this large growth rate, in 2025, IBO estimates Class 3 properties to represent only a small share (8.6%) of its total RPT revenue forecast.

Figure 6
Real Property Tax Revenue
Dollars in Millions

Forecast	2024 Actual	Fiscal Year 2025	2026	2027	2028
IBO	$32,859	$34,201	$34,834	$36,046	37,185
OMB		34,223	34,630	35,668	36,360

SOURCES: IBO; OMB

New York City Independent Budget Office

IBO forecasts that this atypically high Class 3 growth will not continue, and that this component of the gross levy will grow more slowly in the remaining years from 2026 through 2028, essentially reverting to the long run trend. (Gross tax levy refers to the total amount of tax liability for a fiscal year prior to deducting abatements.) For these remaining years, most of IBO's projected growth in the tax levy (about 79%) comes from Class 2 and Class 4 properties—apartment buildings including cooperative and condominium buildings, and commercial and industrial properties, respectively. The two classes together account for about 78% of the 2025 gross levy.

IBO's estimate of Class 4 revenue growth from 2026 through 2028 continues to incorporate an assumption of sluggish 2.0% annual growth in the assessed values of Manhattan offices, far below the pre-pandemic trend of 5.8% annual growth. While commercial real estate remains soft, property taxes for these buildings are still being paid. This growth rate has been accurate in IBO's recent forecasts, and IBO consulted industry reports as well as growth rates in commercial rent tax receipts for Manhattan offices in deciding to retain this assumption.

Figure 7
Real Estate Related Tax Revenues
Dollars in Millions

Forecast	2024 Actual	Fiscal Year 2025	2026	2027	2028
Real Property Transfer					
IBO	$1,130	$1,273	$1,380	$ 1,499	$1,534
OMB		1,225	1,316	1,389	1,459
Mortgage Recording					
IBO	597	764	939	962	974
OMB		702	771	884	927
Commercial Rent					
IBO	918	946	980	997	1,007
OMB		939	955	969	980

SOURCES: IBO; OMB

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For the remainder of the forecast period, IBO estimates RPT annual increases ranging from $633 million to $1.3 billion, with revenue reaching $37.2 billion by 2028. IBO's forecast of RPT revenues is similar to the Administration's in 2025, but IBO forecasts somewhat higher revenues than the Administration in 2026 ($204 million higher) through 2028 ($825 million higher). IBO's RPT forecasts for these years assume greater growth in the aggregate value of real property in the City than the Administration, which in turn drives greater gross levy projections.

Real Estate-Related Taxes. Reflecting anticipated trends in real estate markets and the renting of commercial real estate, Figure 7 shows IBO's forecast of the three real estate-related taxes: Real Property Transfer Tax (RPTT), Mortgage Recording Tax (MRT), and Commercial Rent Tax (CRT).

Real Property Transfer Tax. Paid by the seller, RPTT liabilities are based on the sale prices of real estate transactions. In addition to sales prices, the City's RPTT revenue depends on the volume of transactions, in particular large commercial sales, and thus can vary from year to year. Lower-than-predicted RPTT collections so far this year have prompted IBO to reduce its forecast of 2025 revenue to $1.2 billion, as high interest rates have continued to stymie the real estate market. However, reflecting the expectation of resumed activity in a lower interest rate environment, IBO forecasts strong (8.4%) growth in revenue as mortgage rates decline in 2026, growing to $1.4 billion, and an annual average of 5.4% growth in the following years, with collections reaching $1.5 billion in 2028.[2]

Mortgage Recording Tax. The MRT is a one-time tax paid by mortgage holders based on the size of their mortgages on real property, including refinancings. IBO forecasts $764 million in 2025 MRT revenue. This is a significant downward revision from previous forecasts, which predicted up to $1.1 billion in collections. Increases in fixed mortgage rates starting at the beginning of calendar year 2022, to highs not seen in over 20 years, led to a 50.7% collapse in MRT collections from 2022 to 2024. The slow pace of interest rate reductions by the Federal Reserve, in response to persistent inflation, has driven IBO's estimates of MRT revenue downward over the past year, and a predicted bounce in revenue due to pent-up demand for housing has not yet materialized. Looking at current market trends, IBO's current projected growth in MRT revenue is predicted to be quite strong now that markets will begin responding to interest rate reductions. Revenue is projected to grow by 28% in 2025 and 23% in 2026. Growth is predicted to slow after this two-year surge, reaching total collections of $974 million in 2028.

Commercial Rent Tax. CRT is imposed on rent payments made by large commercial tenants in Manhattan properties south of 96th Street. Because these tenants usually sign ten-year leases, CRT collections tend to remain relatively stable from year to year. IBO forecasts $946 million in CRT revenue this year, slightly more than 2024 collections, with annual revenue further increasing by $61 million through 2028, to just over $1.0 billion. Reflecting continued weak demand for commercial space in Manhattan, this is an average annual increase of 2.1% from 2025 through 2028, a much slower rate of growth when compared with the 4.6% average annual growth seen in the decade prior to the pandemic.

Figure 8
Personal Income Tax (Including PTET) Revenue
Dollars in Millions

Forecast	2024 Actual	Fiscal Year 2025	2026	2027	2028
IBO	$15,671	$17,165	$17,692	$18,516	$19,827
OMB		17,284	17,474	18,401	19,137

SOURCES: IBO; OMB
New York City Independent Budget Office

Personal Income Tax. Personal Income Taxes (PIT) are withheld from employees' paychecks or paid in the form of quarterly estimated payments, based on their current earnings. Created by New York State in 2021, the Pass-Through Entity Tax (PTET) is a workaround to the federal cap on the amount of state and local taxes that are eligible for federal income tax deduction, shifting income tax liability of some taxpayers from the PIT to PTET, but not affecting the amount of City tax revenue. IBO's forecast of steady employment and personal income gains in the coming years underlies the projected growth in combined revenue from the PIT and PTET— averaging 6.1% per year and growing from $15.8 billion in 2024 to $19.8 billion in 2028 (Figure 8). This is the fastest growth rate of all the City's major taxes in the current forecast.

Withholding collections most directly reflect income from employment and account for the largest share of PIT revenue. Withholding collections are forecast to increase by between $663 and $732 million each year. IBO also expects quarterly estimated (installment) payments, the second largest component of PIT revenue, to increase by at least $164 billion each year. However, due to the currently planned phasing out of PTET, the sum of PTET and estimated payments is expected to decrease in 2026. After this, estimated payments are projected to increase strongly each year, especially in 2027 when PTET is scheduled to cease.

Compared with the Administration's projections, IBO's forecast of combined PIT and PTET revenue is slightly ($119 million) lower in 2025, mostly due to a higher forecast of refunds. After 2025, IBO's revenue projections are generally higher than the Administration's, reaching to $690 million above the Administration's forecast in 2028—with higher amounts of personal income in IBO's economic forecast underlying the difference.

Sales Tax. The General Sales Tax is paid by consumers for many services and most goods, based on the amount purchased. Revenue is influenced by both local economic conditions as well as national and global economic trends, because both local residents and visitors buy goods and services that incur the General Sales Tax. Monthly collections in the current fiscal year have generally been growing more slowly than in 2024, with the exception of October which saw a spike from two major events—the World Series and Comic Con. As shown in Figure 9, 2025 General Sales Tax revenue is projected to grow by 3.1% to $10.2 billion. This is substantially slower than the growth seen during the post-COVID and high inflation period—for example, between 2021 and 2022 General Sales Tax grew by a whopping 30.4%.

As the economy continues to cool and inflation continues to fall, it is projected that sales tax collections will also settle into a more stable growth pattern that remains around this pace and is more in line with historic (pre-pandemic) norms. IBO's General Sales Tax forecast for 2026 through 2028 averages 4.0% growth, annually. IBO's forecasts are modestly lower than the Administration's in each year during the forecast period, from $131 million in 2025 to $238 million in 2028.

Figure 9
Sales Tax Revenue
Dollars in Millions

Forecast	2024 Actual	Fiscal Year 2025	2026	2027	2028
IBO	$9,914	$10,218	$10,604	$11,025	$11,487
OMB		10,349	10,822	11,238	11,725

SOURCES: IBO; OMB
New York City Independent Budget Office

Corporate Taxes. The City imposes a tax on the profits of corporations through three mechanisms, the Business Corporation Tax for C-corporations, and the General Corporation Tax and Banking Corporation Tax for S-Corporations. Combined collections for all of the corporate taxes totaled $6.9 billion in 2024, the latest in a string of record-breaking years for corporate tax revenue in the City. (See Figure 10).

Figure 10
Business Income Tax Revenues
Dollars in Millions

Forecast	2024 Actual	Fiscal Year 2025	2026	2027	2028
Corporate					
IBO	$6,886	$6,555	$6,244	$6,324	$6,502
OMB		6,608	6,074	6,136	6,246
Unincorporated Business					
IBO	$2,789	2,769	2,838	2,922	3,008
OMB		2,720	2,758	2,828	2,893

SOURCES: IBO; OMB
New York City Independent Budget Office

Corporate taxes are much more volatile than other major City taxes. Past IBO corporate tax forecasts have anticipated a decline to occur at some point given that collections have continually outpaced projection models since the beginning of the pandemic—a level of growth that has repeatedly seemed unsustainable—and because some net operating losses, which can be carried forward for up to five years according to accounting rules, will eventually be realized. IBO's current forecast integrates the anticipated declines in 2025 and 2026, when collections are projected to drop by $331 million and $312 million, respectively. Growth is projected to resume after 2026. IBO's forecast is very slightly below the Administration's by $53 million in 2025, and higher in all subsequent years, reaching a difference of $256 million in 2028.

Unincorporated Business Tax. The City's Unincorporated Business Tax (UBT) is imposed on the profits of businesses operating within the City that are organized in a form other than a corporation, such as sole-proprietorships, partnerships, and limited liability companies. Coming off four years of strong growth even throughout the pandemic, revenues are projected to remain essentially flat in 2025, at $2.8 billion. Moderate but sustained growth averaging 2.8% per year is projected to return from 2026 through 2028. (Again, see Figure 10.) IBO's forecast for UBT is higher than the Administration's in all years, although the difference is negligible in 2025, gradually expanding to a difference of $115 million in 2028.

Figure 11
Hotel Occupancy Tax Revenue
Dollars in Millions

Forecast	2024 Actual	Fiscal Year 2025	2026	2027	2028
IBO	$706	$749	$776	$808	$845
OMB		751	764	783	836

SOURCES: IBO; OMB
New York City Independent Budget Office

Hotel Occupancy Tax. The Hotel Occupancy Tax is paid by individuals who stay in hotel rooms, based on the amount of money the occupant pays the hotel operator, including service fees. As shown in Figure 11, IBO forecasts Hotel Occupancy Tax revenue growth slightly higher than 6% in 2025, to total collections of $749 million, as the City continues to see a rebound in tourism following the COVID-19 pandemic. This growth is a function of both a greater number of hotel stays and rising average hotel prices as demand continues to grow for the city's stock of hotel rooms. (See IBO's recent testimony on hotels in the City.) Growth is expected to moderate after this, to an annual average of 4.1% from 2026 through 2028, in line with long-term norms before the pandemic.

Figure 12
Cannabis Tax Revenue
Dollars in Millions

Forecast	2024 Actual	Fiscal Year 2025	2026	2027	2028
IBO	$4	$15	$19	$24	$32
OMB		11	20	28	30

SOURCES: IBO; OMB
New York City Independent Budget Office

Cannabis Tax. New York City's Cannabis Tax is paid by consumers on sales at licensed retail cannabis dispensaries in lieu of the City's General Sales Tax. After an initially slow roll-out by New York State to get licensed dispensaries in operation, so far during calendar year 2024, over 75 dispensaries have opened in the five boroughs. Additionally, over the last six months, local law enforcement officials have shuttered over 1,000 unlicensed cannabis shops. (See IBO's testimony on the City's cannabis market.) Considering tax collections data so far this year, IBO has slightly revised its forecast for Cannabis Tax revenue upwards, to $15 million, as shown in Figure 12. IBO's Cannabis Tax revenue forecasts for the subsequent years grows to $32 million in 2028. This forecast is based on an estimate of average retail sales per store, which is in turn based on an estimate of how sales per store will change as new stores enter the market.

Endnotes

[1]IBO's local economic model is a custom simultaneous equations model that forecasts over 90 local economic series, allowing for changes in any individual segment of the economy to impact others based on estimated economic interrelationships.
[2]As discussed earlier in this report, IBO did not incorporate into its economic forecast any specific policy ideas put out by the incoming presidential administration. The size and speed of changes to the Federal Fund Rate will depend on trends happening in the national economy; it is too soon to predict how changes in federal government will impact this.

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