

Small Subset of Low-Income New Yorkers Would See Benefit From “Axe the Tax” Proposal

Last week, the Adams administration announced a proposal dubbed “[Axe the Tax](#),” which would apply to tax filers with dependents whose household incomes are at or below 150% of the federal poverty line, which adjusts upwards based on household size.¹ The income limits for the current year would be around \$36,700 for a household of two and \$46,800 for a household of four. The Axe the Tax proposal would eliminate New York City personal income tax (PIT) liability remaining after any existing credits are applied.

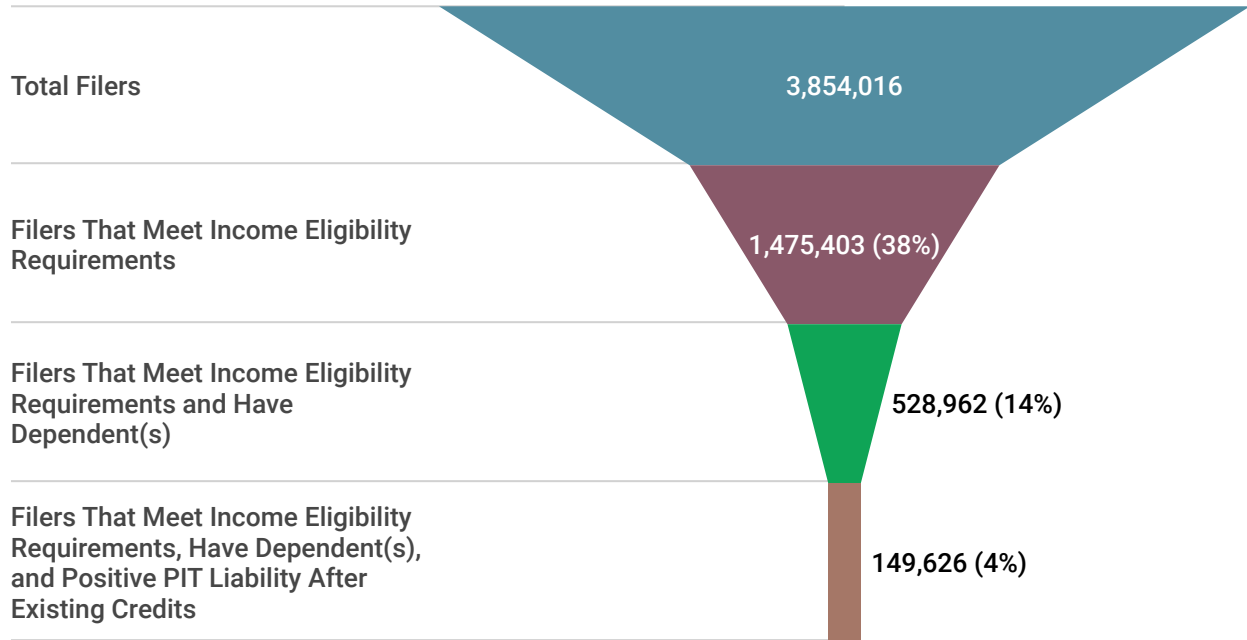
The proposal would additionally provide partial reductions in PIT liability for households with dependents that make up to \$5,000 above 150% of the federal poverty line. For example, a household that makes \$1,000 over the income eligibility threshold would have their PIT liability reduced by 80% and a household that makes \$4,000 over the income eligibility threshold would have their PIT liability reduced by 20%.

Using New York State Department of Taxation and Finance 2022 PIT returns data, IBO modeled the number of filers and the amount of PIT liability that would have qualified for Axe the Tax PIT credits if it were applied to those tax filings.

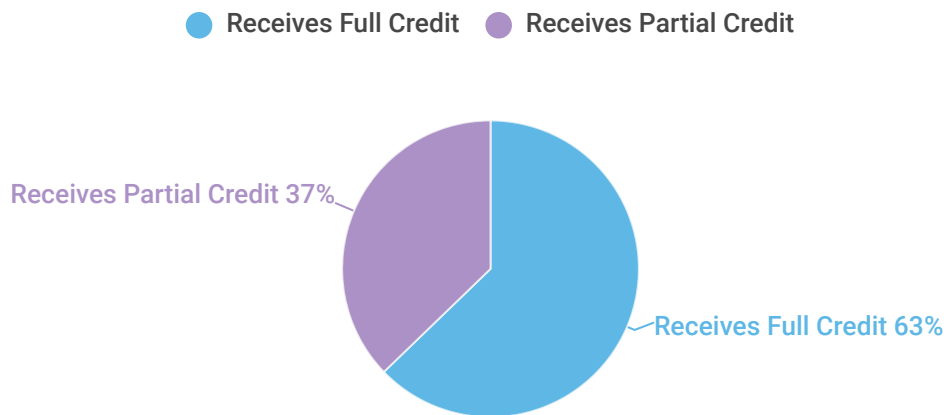
- IBO found that less than 4% of the 3.9 million tax filers in New York City would benefit under the Axe the Tax proposal.² About two thirds of these beneficiaries would receive the full PIT liability credit and one third would receive a partial credit. Households that file jointly, have dependents, or both would be counted as one filer encompassing multiple family members.³
- For households receiving a full tax credit against their remaining PIT liability, IBO estimates an average of \$390 per filer would be credited through this program. Households benefiting from a partial credit would see an average benefit of \$234 annually.
- Axe the Tax would only eliminate any remaining PIT liability after all existing tax credits have been applied. Around 14% of filers meet the income threshold and had dependents—the two main eligibility requirements under Axe the Tax. However, many filers with lower incomes and at least one dependent do not owe PIT liability after existing credits, and therefore would not see benefits from Axe the Tax. Most of these low-income households already benefit from the City’s Earned Income Tax Credit (EITC), which is often larger than the amount of filers’ PIT liability, and the difference passed on to the household in the form of a tax refund.

- In total, IBO estimates the City would be forgoing around \$50 million in PIT liability. PIT revenue in fiscal year 2023—the year in which most calendar year 2022 liability is paid—was \$14.8 billion, so the proposal’s fiscal impact relative to the size of the overall PIT revenue is minimal. The Adams Administration has [stated](#) that no additional taxes will be raised to offset the forgone revenue created by Axe the Tax.

After Meeting Income Eligibility, Only Filers with Dependents and Positive PIT Liability After Existing Credits Benefit From Axe the Tax



Around Two Thirds of Filers Covered By Axe the Tax Would See Full PIT Liability Erased



Endnotes

¹The press release for the Axe the Tax proposal states income eligibility will be set at “filers with dependents living at or below 150 percent of the federal poverty line.” The phrase “federal poverty line” is ambiguous. The U.S. Census Bureau sets the [federal poverty thresholds](#), which vary by household size and number of minor children. The press release then links to the Census thresholds. The U.S. Department of Health and Human Services (HHS) then publishes the federal poverty guidelines based on the Census Bureau’s poverty threshold for administrative uses such as determining financial eligibility for government programs. The HHS poverty guidelines scale based on household size but do not distinguish between adults over or under age 65, or minors. For more information on the federal poverty thresholds and guidelines, see [Frequently Asked Questions Related to the Poverty Guidelines and Poverty](#).

²IBO used the 2022 HHS poverty guidelines for this analysis on 2022 tax filings.

³Note that the Adams Administration’s press release reported on the number of “New Yorkers” impacted by Axe the Tax, which encompasses all people associated with a tax filing. IBO reports on the number of filers, where a filer’s return can be for a household of one or two adults, depending on filing status, and any number of dependents.

SOURCE: IBO analysis of Axe the Tax proposal data from the Mayor's Office of Management and Budget and 2022 personal income tax data from New York State Department of Taxation and Finance

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