

NEW YORK AFFORDABILITY CRISIS REPORT

Long Island Edition



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INTRODUCTION

New York: the words once rang with promise. Come here to make your fortune, start a business, and build a family and a life.

That promise has disintegrated under the weight of layers of government and bureaucracy and their impact on every aspect of daily life. New Yorkers are struggling every day to keep their heads above the economic waterline. They're dragged down by high taxes, poor job climate, and politicians that feed a government mired in failed policy – and too often corruption.

Put simply, all this drag has New Yorkers caught in an Affordability Crisis. It affects people upstate and down, in settings urban, suburban, and rural. It's the product of a punishing personal tax regime, and bad regulatory policies that drive up the cost of basic necessities from groceries to gas to electricity – and it's driving New Yorkers away in droves.



At least 1.8 million people have left since 2000 for states with friendlier economic climates and clearer visions for the future – more than any other state in the nation.

This crisis hits nearly every income level, making it extraordinarily difficult to save.

When the high cost of living means you struggle to save for your future, there's no reason to stay, especially when it takes more than a decade for an average-earning family

to amass just the down payment on a home. Also, when the state hits homeowners with the highest effective property tax rate in the nation, at a total of \$26 billion. With this innovative and comprehensive report, Reclaim New York shines a light on what the Affordability Crisis means for all New Yorkers.

Reclaim New York has calculated the “Wake-Up Costs” for various localities and income levels by combining the total tax burden with essential living costs to examine how much – or how little – of your income remains after taxes and basic expenses. In short, how much do you pay just to wake-up here? For many New Yorkers, their leftover income can be as low as two-percent. Some are underwater. Most are struggling to save for the future.

The purpose of this report is twofold: to inform, and to arm citizens with the information necessary to improve the state's conditions. Reclaim's breakthrough modeling techniques provide clear, easy-to-understand data points. The results presented should outrage anyone concerned about the future of New York and its citizens.

**We deserve better.
We have to demand better.
Let's Reclaim New York.**



WHAT'S YOUR WAKE-UP COST?

Total Tax Burden (TTB) + Basic Living Expenses = Wake-Up Costs

Total Tax Burden = Income Tax + Property Tax + Sales Tax + Excise Tax

Today, one of the most challenging issues facing New Yorkers is our affordability crisis.

To analyze this crisis we asked a few simple questions: What does it cost to simply wake up each morning? After paying your taxes and purchasing the basics – which together make up what we call the Wake-Up Cost – how much money do you actually have left?

Below, we break down the components of the Wake-Up Cost for a family of four who rent their home in the William Floyd School

District, in the hamlet of Shirley, in the Town of Brookhaven in Suffolk County:

We projected a sample family to earn the median income in Shirley. At this income they would spend approximately \$53,592 per year on basic expenses. (See the chart at the right for more detailed numbers.)

Note: at \$82,557, Shirley's median income is comparable to the Suffolk County median at \$87,763.

MEDIAN INCOME IN SHIRLEY

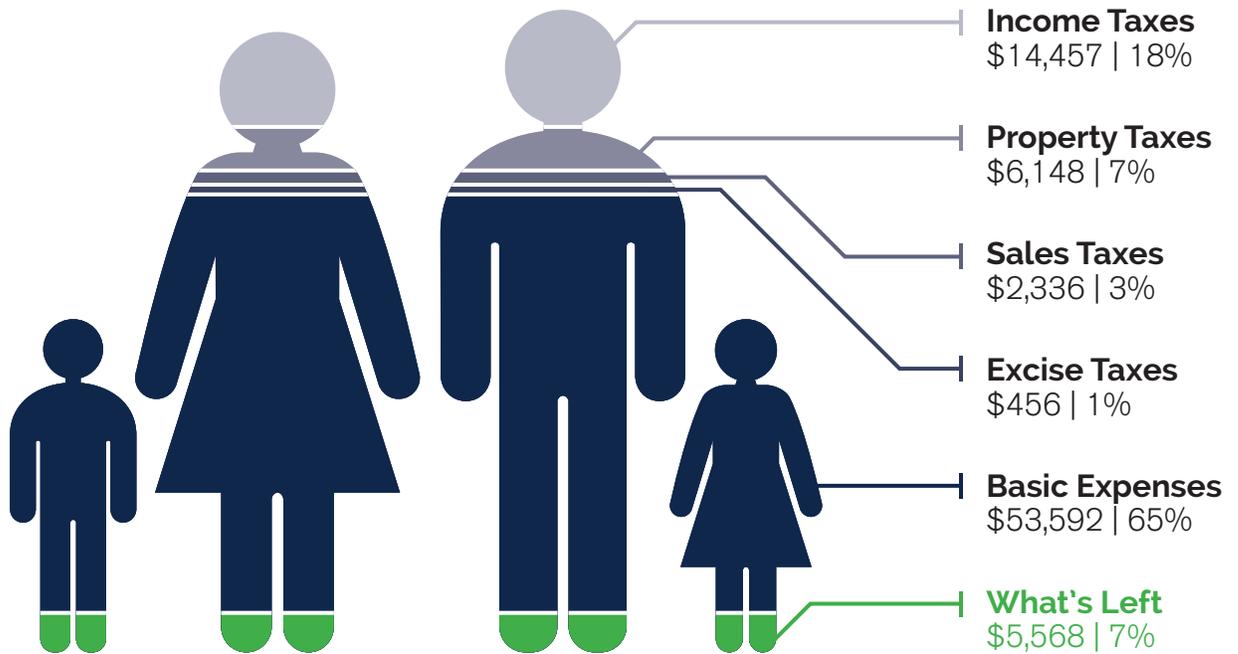
Married, Two Dependents (Under 17), Renters

		Monthly \$6,880	Annually \$82,557
Wake-Up Cost — Annual Expenditures	INCOME TAX	\$1,205	\$14,457
	PROPERTY TAX	\$512	\$6,148
	SALES TAX	\$195	\$2,336
	EXCISE TAX	\$38	\$456
	RENT	\$2,405	\$28,856
	FOOD	\$491	\$5,894
	TRANSPORTATION	\$721	\$8,646
	ENERGY	\$251	\$3,012
	WATER	\$20	\$241
	HEALTH INSURANCE	\$361	\$4,329
	RENTER'S INSURANCE	\$18	\$210
	CELL PHONE	\$115	\$1,384
	TELEPHONE/INTERNET/CABLE	\$85	\$1,020
TOTAL EXPENDITURES:		\$6,416	\$76,989
WHAT'S LEFT:		\$464	\$5,568



What's Left After All Wake-Up Costs in Shirley

Median Income - \$82,557/Year, Married, Two Dependents



With well under six thousand dollars left to cover all other expenses, our Shirley family is financially unstable, and we begin to see the real burden borne by our citizens. Saving for retirement or a child's college tuition? Paying off student loan debt? Trying to put together the down payment for a first home? These likely lie outside the financial reach of this family and many New Yorkers.

Why is that the case? Where does the money go? Reclaim New York's study answers those questions as well. To do so, we've used a new approach to tax and income data that allows us to create detailed and highly localized portraits of New Yorker's economic situations.

Too often, the government provides no real way to determine the value taxpayers get for their money. This report is the first step in clarifying these transactions – and a first step towards the broader discussion Reclaim New York wants to spark about the proper scope of government. We want citizens to have the data they need to accurately assess the value they receive for handing their hard-earned money over to governments at all levels, and the price premium we all pay to live here.

YOUR TOTAL TAX BURDEN: BIGGER THAN YOU THINK

A significant portion of the Wake-Up Cost comes from New York's heavy tax burden. Consider the fact that residents of New York bear the impact of nearly 200 different taxes. Our study organizes that data into four core categories that constitute the Total Tax Burden (TTB): income, property, sales, and excise taxes. TTB may be just one part of Wake-Up Costs – but it is the biggest driver of low savings rates across the Empire State.

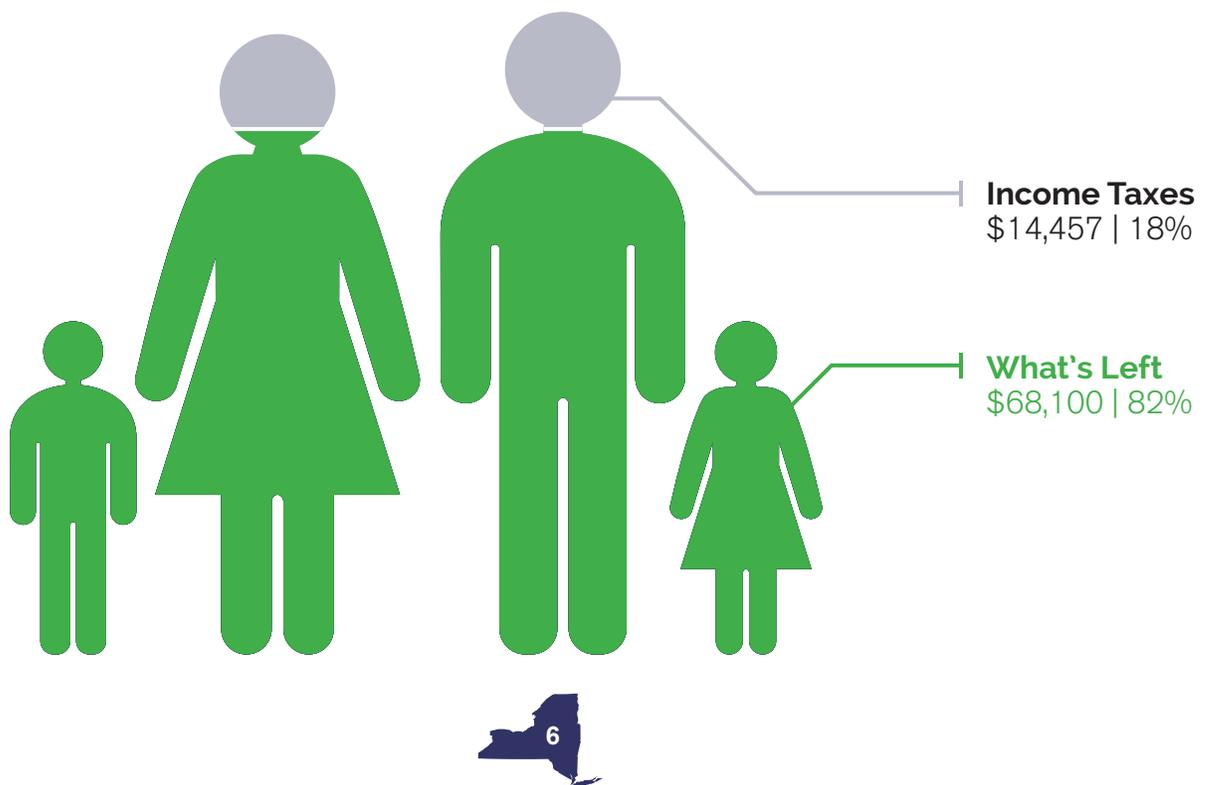
INCOME TAX

Income taxes account for the largest share of TTB, between 60-75 percent of any total tax bill and 20-40 percent of all income you earn. This translates to the second-highest burden in the country because of the state income tax rate. The Tax Foundation cites California as the only state in the country with a higher total income tax burden. To be clear that's not reserved just for top earners. **New York's tax policy punishes all income levels** – asserting that the government is a better steward of your money than you.

The two charts below compare the income tax burdens of two sample tax filers. The first is the family of four in Shirley described above. The second is a recent college graduate. At \$48,707, this graduate is earning the national median income for graduates who find work in their field of study. As you can see, whether you're single and just starting out or you have a family and a more established career, the federal government and New York State take nearly one quarter of your income. This money is "gone before you ever get home." If our family of four and recent college graduate happened to live in New York City or Yonkers, they'd be giving up even more.

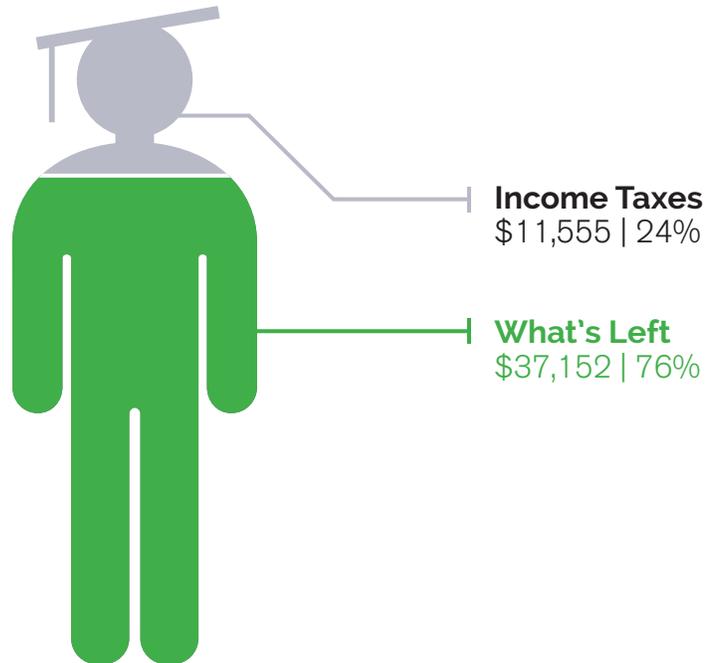
What's Left After Income Tax in Shirley

Median Income - \$82,557/Year, Married, Two Dependents



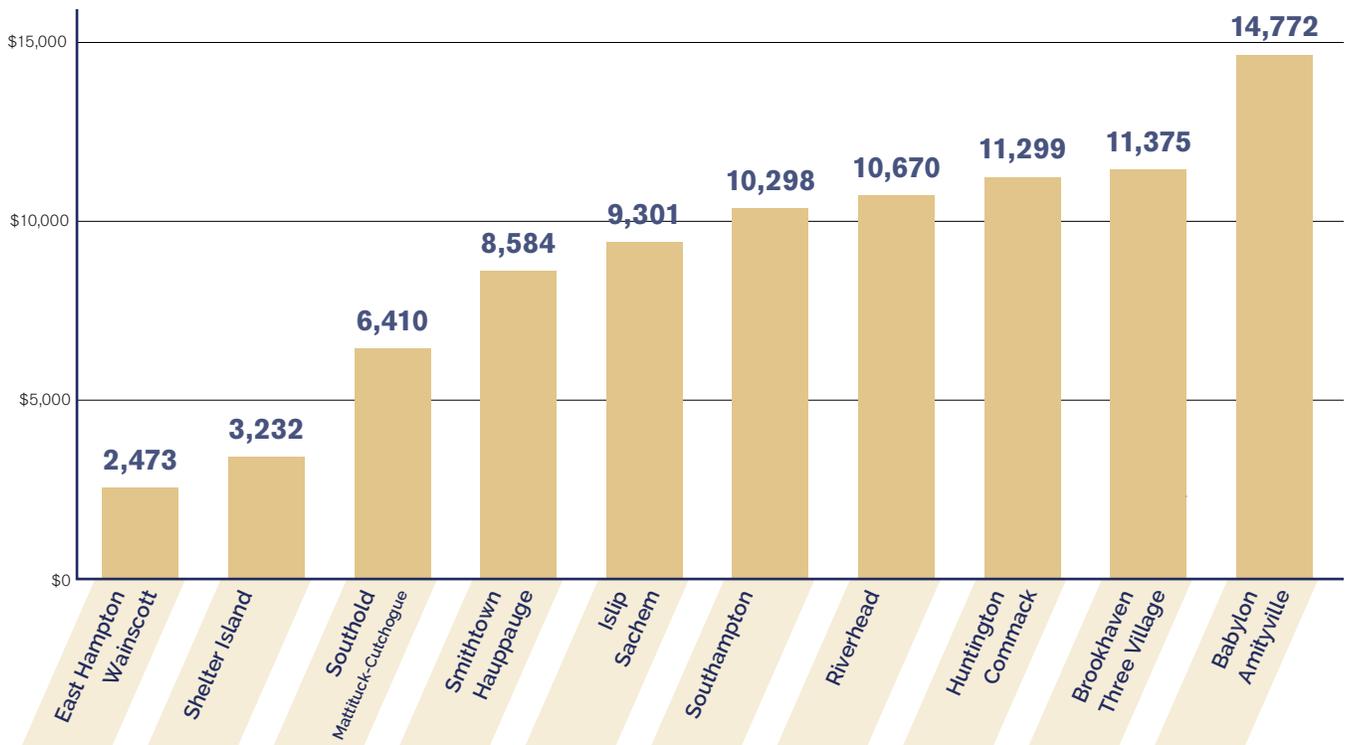
What's Left After Income Tax in Shirley

Income - \$48,707/Year, Single, Recent Graduate



A startling discovery for many is that **some states – eight in total – don't even levy a state income tax.** It will come with less shock that two states gaining citizens, Texas and Florida, are on this list. By the age of 40, our recent grad living in Texas would save more than \$170,000 dollars just on income tax. In real terms this would cover seven semesters of tuition, room, and board at most state universities. With New York's exorbitant tax rates, these states seem more appealing each year.

Not surprisingly, **New York has lost more residents than any other state** over the past decade, while states like these have enjoyed an incredible rate of population growth. Despite what elected officials might tell you, the New York State government does not *need* all the tax dollars they're taking from you, they *want* them - largely to keep interests that are not looking out for you content.



PROPERTY TAXES

Property taxes are the second-largest slice of your Total Tax Burden. In New York, these are local taxes levied by the county, town/city, village, school district, and other special districts – fire, library, or police. The revenue funds schools, the operation of local governments, and many other essentials. They also fund mandated spending levied by the State on local municipalities. But as government becomes more inefficient and opaque and less accountable to voters, we have to ask: are we getting good value for our money?

Our study shows that the answer to a large extent depends on where you live. Property taxes, according to our models, can represent 4 to 25 percent of your tax bill. If this amount isn't scary enough, the true price of home ownership in Suffolk County, is that most owners who eventually pay off their home will essentially pay for it three times. Over the life of a thirty year mortgage, a home owner will pay for the house once through the principal, a second time in property taxes,

and a third time in interest on the home loan. The chart above highlights the variance in property tax rates across Suffolk County on a home assessed at the median county value (\$383,400).

This chart highlights the variability of property tax bills, but sky-high figures are just the starting point. Foreclosed homes and for-sale signs are among the most visible effects of these steep property tax rates. These bills hit taxpayers hard, but the real damage they inflict is much harder to see. They depress home values. They deter first-time buyers otherwise capable of affording a home. Suffolk County is sadly overrun with examples of fixed-income retirees who have paid for their houses but cannot afford the property taxes still being levied on them.

Again, Texas, Florida, and Tennessee welcome these people with open arms. The size of local government and its existing and future financial liabilities all factor into the push for ever-higher property taxes – yet clearly some states have figured how to make this work. What doesn't always – or ever – factor into the equation in New York are the needs of taxpayers. Population loss is just one consequence of that.

US Census Bureau data for Suffolk County shows that the average Shirley family does not own their home.

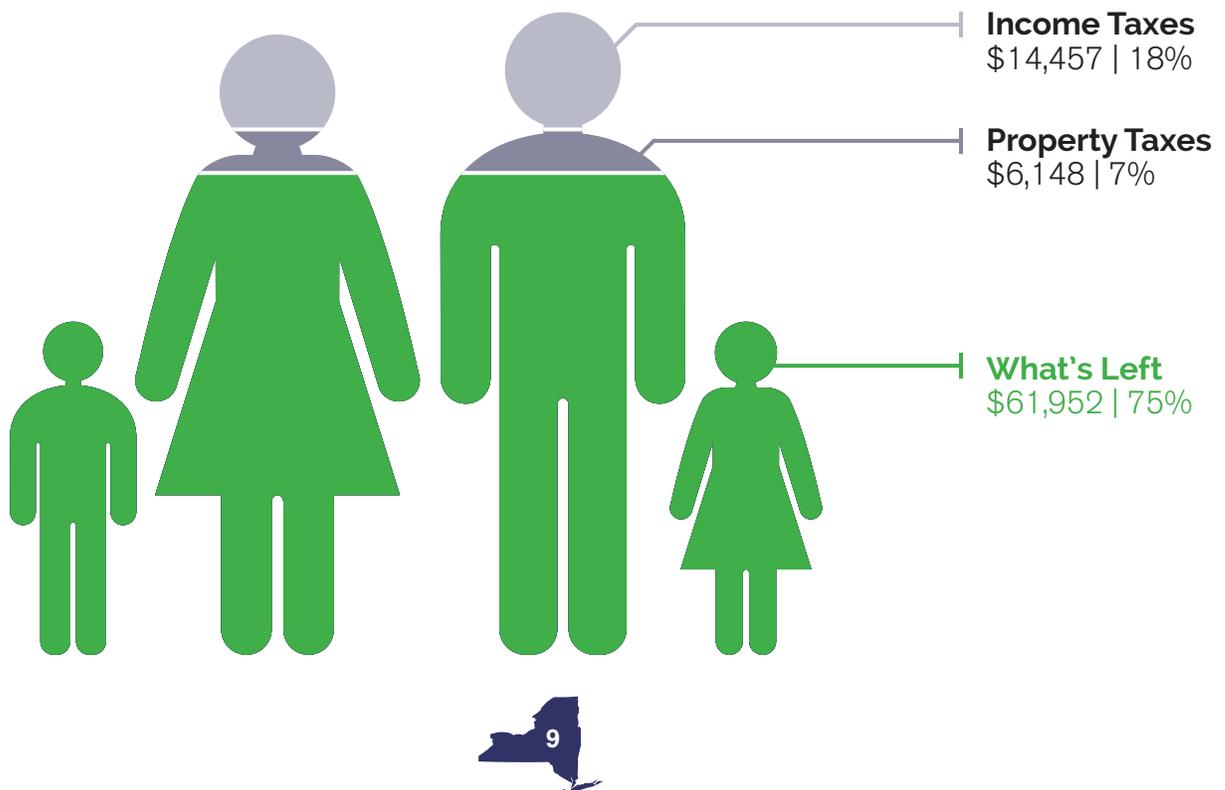
In fact, families don't, on average, become homeowners in Suffolk County until household income is over \$100,000. Thus, at \$82,557 our sample family in Tarrytown is a renter. This reality of course does not exempt them from property tax.

With some calculation we can derive the total our family will pay in annual property taxes. Again through US Census Bureau data, we know that households earning between \$75,000 and \$99,999 spend roughly 42.4% of annual income on rent. If we then assume total rent equates to the mortgage payment and home expenses the property owner would pay, we can estimate home value and calculate the annual property tax.

It could be asserted, we should note, that the landlord would pay the entire property tax burden. To be sure, the landlord is the person that makes this payment to government. But considering current vacancy rates and market demand in the areas we studied, it seems reasonable to assume that a profit-conscious landlord will pass along as many of the housing costs as possible. Our study assumes the renter pays 75 percent of the total bill. Thus, our Shirley family will pay \$6,148 per year -- 7.45% of their income, on which they can take no deduction -- in passed-along property tax costs if they rent a home valued at \$251,467.

What's Left After Income and Property Taxes in Shirley

Median Income - \$82,557/Year, Married, Two Dependents



SALES TAXES

The third-largest component of Total Tax Burden comes from sales taxes.

These hit us on a daily basis – a few extra cents on a bottled water, a few extra bucks to park in Manhattan, a bigger-ticket charge on a tablet bought through Amazon. In New York, a four percent state sales tax is combined with a county tax – and in some cases with a special district tax – on goods. This means roughly half of these dollars go back to New York State, with the other half heading to the county.

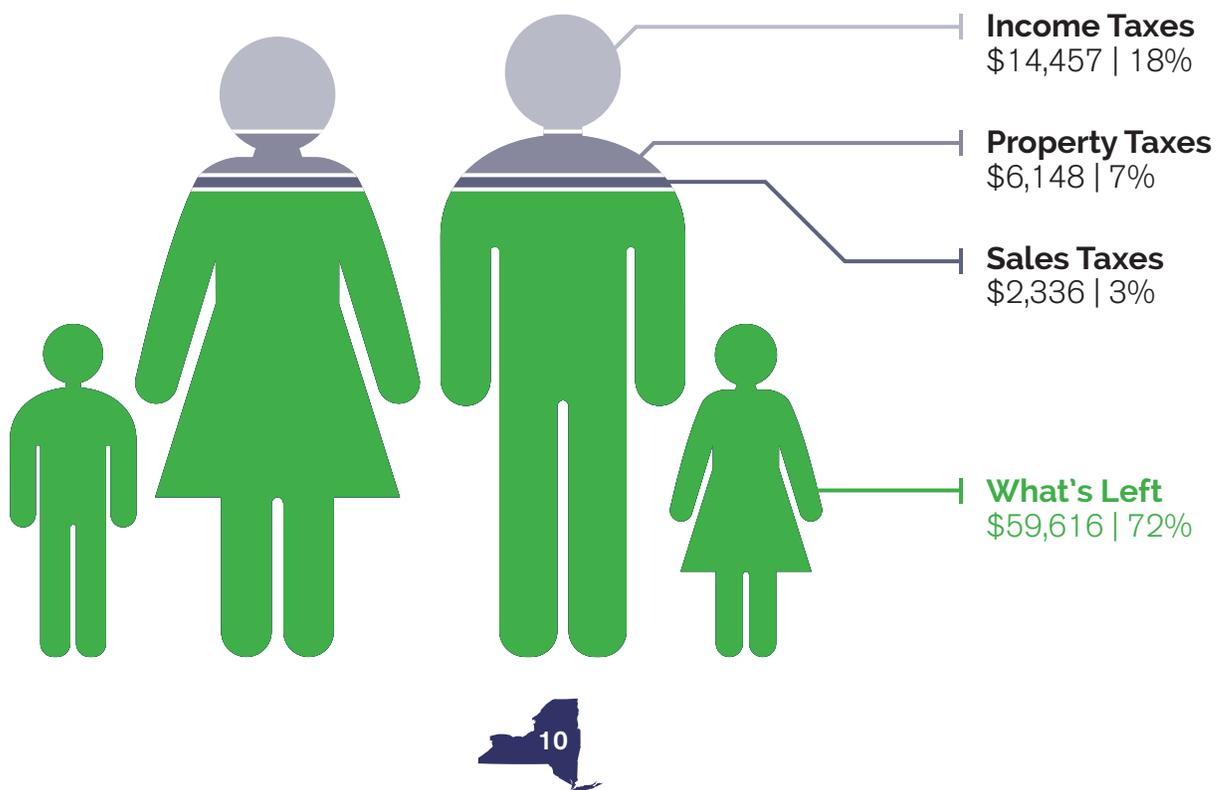
New Yorkers, unfortunately, have come to view this tax as simply the cost of buying lunch – and more broadly of doing business. This study puts that cost under a new high-powered lens and shows just how much a few percentage points can mean to our bottom line.

Our innovative model is powered by data from the US Census Bureau's annual nationwide Consumer Expenditure Survey. We use those numbers to project the consumption habits of New Yorkers at multiple income levels across multiple locations. We incorporated this data into our model and then cross-referenced it with goods deemed "taxable" by New York state government. Butter, cheese, bread, and other staples are exempt, most others are taxed.

Our median-income family in Brookhaven for example, pays a 8.625% rate as residents of Suffolk County. By applying this rate to taxable purchases over the course of a year, we see that **2.83% of annual income goes to cover sales tax**. For our median-income Suffolk dwellers, this amounts to \$2,336 per year – a lot more than pocket change.

What's Left After Income, Property, and Sales Taxes in Shirley

Median Income - \$82,557/Year, Married, Two Dependents



EXCISE TAXES

Excise taxes account for the smallest component of TTB. They might also be the most offensive.

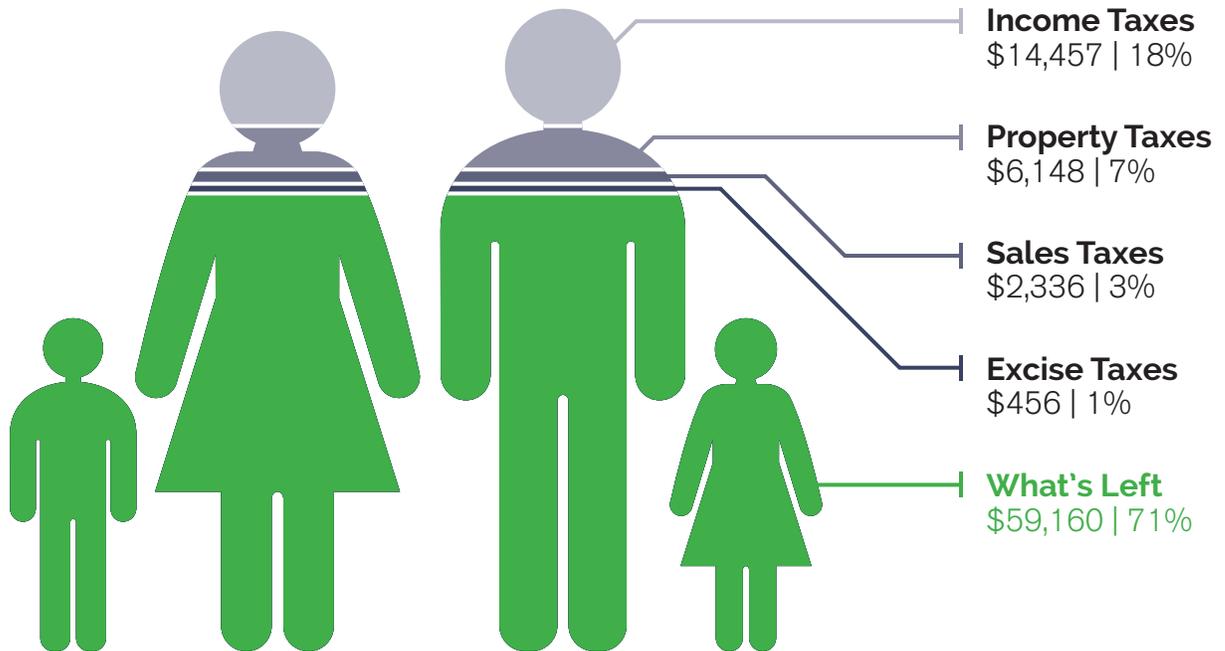
Excise taxes are a hidden cost, passed on to the consumer by the seller. They don't appear on any receipt; most consumers don't even know they exist. Unfortunately, New York's state government makes sure they do more than just exist.

Their reach is broad: in New York, they add to the cost of everything from fishing equipment to airline flights to gasoline. Going to the ball game? Be prepared to pay the Stadium Tax, the Soda Tax, a Beer Tax and parking taxes to name a few. The list goes on – all in the name of government needing to raise revenue.

While they account (luckily) for less than one percent of income, they still sting. Take gasoline: excise tax accounts for **17 percent of your total fuel bill**, helping make New York the second-most expensive state in the nation to fill up your car. Gas excises alone cost our sample family an additional \$416 per year.

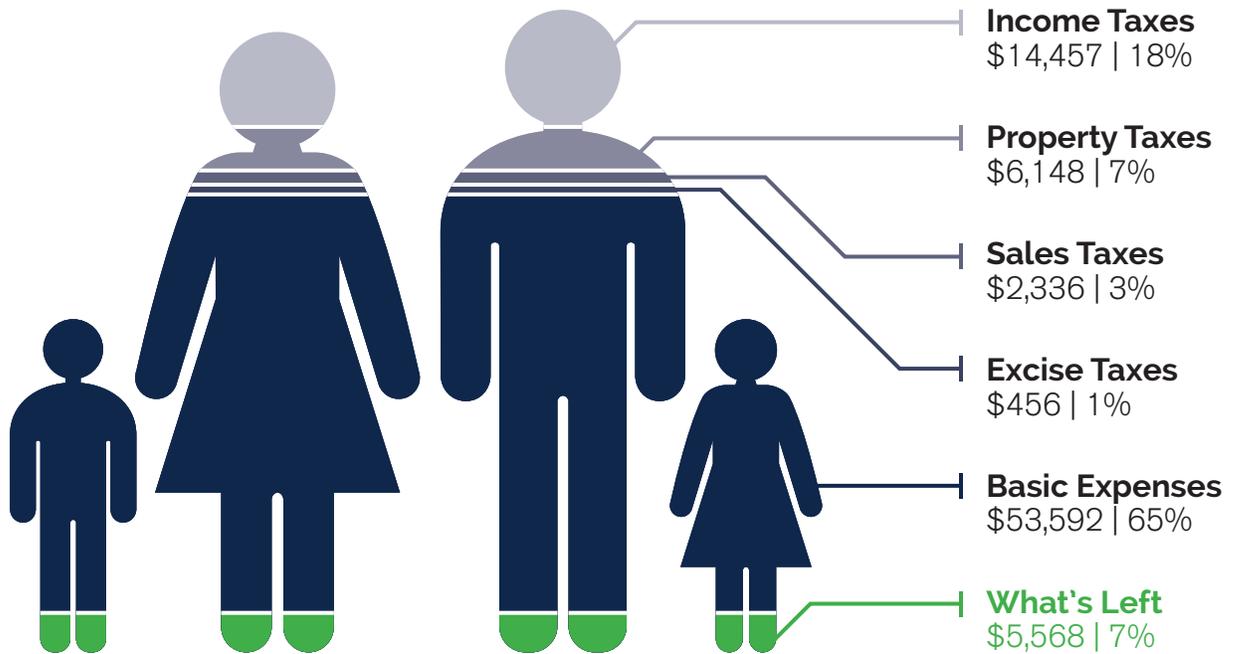
What's Left After Income, Property, Sales, and Excise Taxes in Shirley

Median Income - \$82,557/Year, Married, Two Dependents



What's Left After All Wake-Up Costs in Shirley

Median Income - \$82,557/Year, Married, Two Dependents



BASIC LIVING EXPENSES

This leads us to the final component of our Wake-Up Cost. **The Total Tax Burden costs citizens between 30 and 50 percent** of their yearly income but it gets compounded by the higher cost of living New Yorkers face as a result of their high-tax climate. No matter what state you happen to live in, you'll need to pay for transportation, housing, and 21st century necessities like cellphone service. But in New York, all these things cost far more because of our inefficient government.

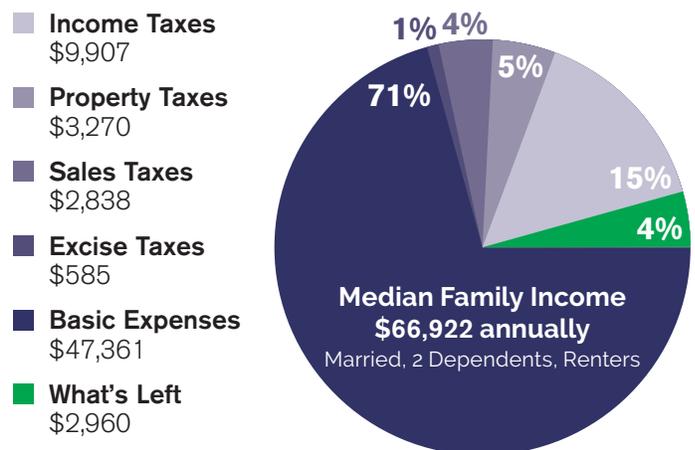
Our report details the challenges families face at multiple income points, concluding that the system is stacked severely against virtually all taxpayers. Whether you're paying a massive bill at the pump or trying to cover expenses like rent, you're going to feel the bite.

As you can see here, our family that started with the median income in Shirley of \$82,557 has almost nothing left for all other purchases. Payment on student loan debt, 401k savings, a college fund, or a family vacation may be out of reach.

Why are these costs so high? Taxes, regulations, and bad policy have driven up the cost of everything in New York. Government likes to justify these policies as protecting consumers, workers, or the environment. Yet, many turn out to protect the financial interests of government first and foremost.

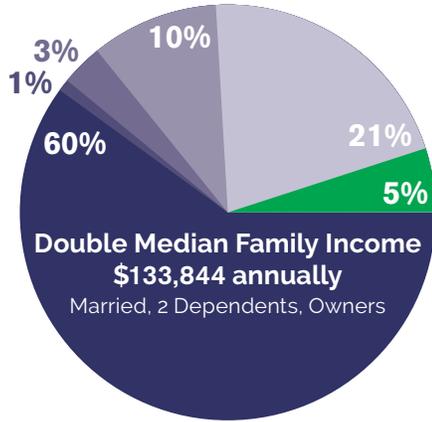
The study reveals that high costs are not just a problem in Shirley. The chart on the following page depicts life for the median income family in Roosevelt. Here, the numbers are worse.

What's Left After All Wake-Up Costs in Roosevelt



What's Left After All Wake-Up Costs in Roosevelt

- **Income Taxes**
\$28,452
- **Property Taxes**
\$13,357
- **Sales Taxes**
\$4,470
- **Excise Taxes**
\$960
- **Basic Expenses**
\$80,204
- **What's Left**
\$6,401



At a household income of \$66,922 this family of four would have \$2,960 left after taxes and paying for basic expenses. Across income, property, sales, and excise taxes, the government tax burden consumes about a fifth of this family's income. Is this family seeing this investment returned through safe streets, a quality education, and well-maintained roads?

A family making twice their income, also living in Roosevelt, would still only have 5 percent of their income left after TTB and basic expenses.

In Roosevelt, it's worth noting that renters are paying the same mortgage interest and property taxes. Their landlord passes those along. But our tax system does not allow them to count the deduction and therefore

it becomes more difficult to save money to buy a home.

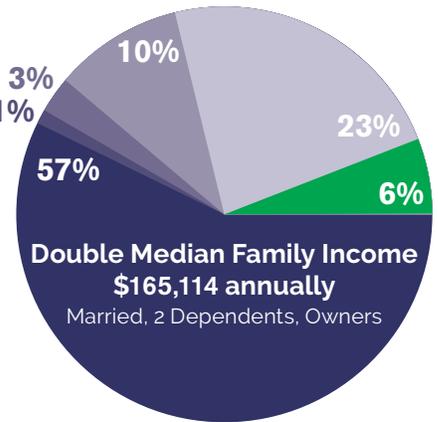
A third locality in Long Island also sees families struggling to save. In Huntington, the median income is \$118,222 – a rate which leaves a household \$380 per month, or \$4,564 per year, for any expenses beyond basics. Their higher income is neutralized by higher taxes and expenses, leaving them with the same 4 percent of income remaining as the median Huntington family.

The numbers begin to tell the story that it's not a village, town, or even county problem. The economic burdens imposed by the federal government are compounded by state and local policies, hitting all New Yorkers hard, no matter where they live or what they make.

This forces families to question if it is financially prudent to remain in Nassau.

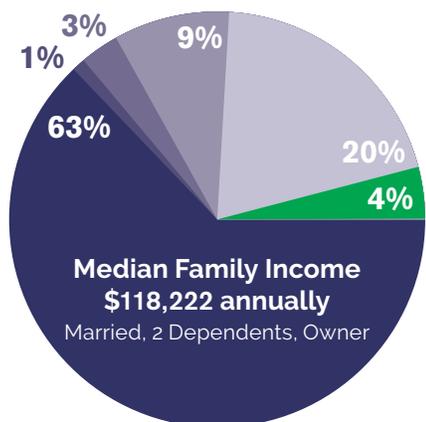
What's Left After All Wake-Up Costs in Shirley

- **Income Taxes**
\$37,304
- **Property Taxes**
\$17,018
- **Sales Taxes**
\$5,361
- **Excise Taxes**
\$1,132
- **Basic Expenses**
\$94,880
- **What's Left**
\$9,419



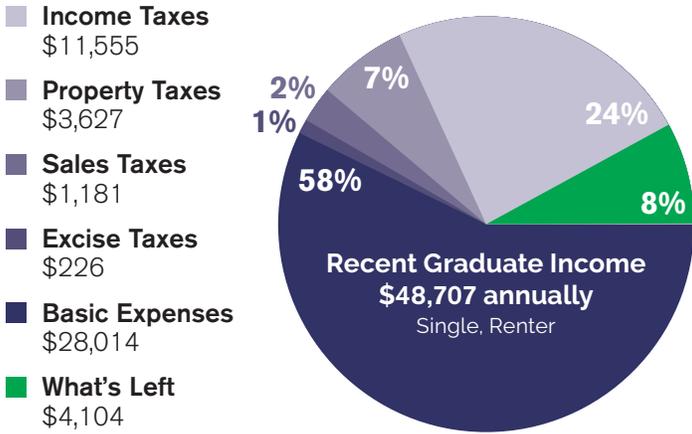
What's Left After All Wake-Up Costs in Huntington

- **Income Taxes**
\$23,942
- **Property Taxes**
\$10,416
- **Sales Taxes**
\$3,970
- **Excise Taxes**
\$876
- **Basic Expenses**
\$74,454
- **What's Left**
\$4,564



In some cases, it's not even enough to do twice as well as the average family. As the definition of middle class continues to shift, New Yorkers are learning that moving up the income ladder is a challenging effort. To illustrate the entrenched pitfalls of our tax system, we analyzed an income point in Shirley that is double the median income: \$165,114.

What's Left After All Wake-Up Costs in Shirley



High property taxes place a cap on this family's potential savings. One-third of their income will go to pay income and property taxes alone. With just \$9,419 left for all other expenses and hopefully some savings. This family will still struggle to put or keep themselves on a financially stable path.

Worst of all, New York's affordability crisis crushes the one group that has the most potential to save our state. While most graduates are initially overjoyed to even find a job, those located in New York quickly discover an ugly economic reality.

As of 2015, the average student debt carried by New Yorkers is \$32,200 which is 8.4-percent higher than the national average of \$29,700. A student graduating today carries an average of more than \$26,000 in student loan debt. But even without counting a monthly loan payment, the graduate has little chance of staying out of financial trouble. For those fortunate enough to find a full time position in their field of study, the starting salary averages \$48,707 nationally. **At this income level, a single recent graduate will pay 34 percent of their income in taxes.**

In many localities on Long Island it will take this person nearly a decade to develop any substantial savings. Very quickly we identify why the boomerang effect (adult children returning home to live with their parents) has become an all too common phenomenon.

As we model the recent graduate's life going forward, the picture gets even bleaker. Consider the purchase of a median value home. In Suffolk County, this means saving roughly \$70,000 for down payment and closing costs. Assuming standard raises and aggressive saving habits, our recent graduate will be nearly 40 years old when he can afford the down payment on a median value home.

CONCLUSION

It doesn't matter whether you rent or own your home; what income bracket you fall in; whether you live in an urban, suburban, or rural area; are single or married; a Baby Boomer or Millennial, there is an Affordability Crisis in New York State that impacts the financial stability of virtually everyone. The snapshot Reclaim New York has provided here illustrates how New Yorkers struggle to save due to the crushing cost of government and its impact on the cost of living.

Since most New Yorkers pay anywhere from eighty to ninety-percent of their income in Wake-Up Costs it's important for citizens to ask if they're getting sufficient value for what they pay into the government. If New Yorkers actually breakdown the amount they pay in Wake-Up Costs and begin looking at their relationship with government as a consumer transaction, chances are they'd feel they're getting a bad deal.

All states require revenue to function. Lively, balanced debate can and must take place about how much revenue they need, and how they should spend your money. In order for that debate to produce substantive results, citizens must participate and need to be well-informed. Given the energy our state and local governments expend on erecting barriers to transparency, and protecting the status quo of high taxes, it is often hard for consumers to get a clear picture of the fiscal forces that impact their future.

We created this Affordability Crisis Report to help all New Yorkers who want, and deserve, a better future to participate in the conversation. Reclaim New York has synthesized hundreds of studies and data points using a new model to isolate interactions with government that hinder New Yorkers' ability to save.

When we learn how our government crushes our families, keeps youth running in place, leaves seniors with an uncertain financial future, and stops even those earning double their local median income from building up real savings; we begin to realize that the game is rigged against all New Yorkers. We also realize serious change is necessary.

This report is the first step to building a stronger New York for millions who struggle to live here. We encourage each of you to engage us in a deeper conversation. Reclaim New York can help you define what the next step is for you and your community. Activation could be as simple as reaching out to friends and neighbors or attending a town board meeting. The key is that we understand the issues and work together to move New York forward.

For questions and inquiries regarding this report, please contact:

Info@ReclaimNewYork.org

646-781-7800



