

Raise the Payroll Mobility Tax Top Rate and Increase the Threshold for Taxability

Description

This option would raise the highest rate of the Payroll Mobility Tax (PMT) from 0.60% in New York City and 0.34% in suburban counties, and increase the threshold for taxability from \$312,500 of quarterly payroll (\$1.25 million annual). Raising the rate raises revenue. Raising the threshold excludes more small businesses and reduces revenue slightly, potentially reducing opposition to the tax and to the rate increase.

A \$500 million revenue target could be achieved by raising the highest payroll tax rates to 0.73% in New York City and 0.413% in the suburban counties (raising each by 21.6%) and increasing the taxability threshold to \$400,000 quarterly (\$1.6 million annual equivalent). A 21.6% increase in the counterpart self-employment tax would raise an additional \$12 million.

Current law and practice

The payroll mobility tax is imposed on businesses operating in the MTA region. The tax is imposed quarterly and only applies to businesses with quarterly payroll above \$312,500 (\$1.25 million annual rate). If a taxpayer is above the threshold, the tax applies to all of its MTA region payroll -- it is a threshold, not an exclusion.

A business has a single tax rate for all of its payroll in New York City and a single tax rate for all of its payroll in the suburban counties (if it operates in both parts of the region). Payroll tax rates are higher for businesses with higher payroll than for those with lower payroll. The single rate in NYC or the suburbs applies to all payroll in the subarea -- the rates are not marginal rates as in a personal income tax. The highest payroll tax rate is 0.60% in New York City and 0.34% in the suburban counties.

The [payroll tax rate schedules](#) based on quarterly payroll are shown below; Zone 1 refers to New York City and Zone 2 refers to the rest of the MTA.

Payroll expense attributable to Zone 1	MCTMT Rate	Payroll expense attributable to Zone 2	MCTMT Rate
Over \$0 but not over \$375,000	0.11% (.0011)	Over \$0 but not over \$375,000	0.11% (.0011)
Over \$375,000 but not over \$437,500	0.23% (.0023)	Over \$375,000 but not over \$437,500	0.23% (.0023)
Over \$437,500	0.60% (.0060)	Over \$437,500	0.34% (.0034)

A complementary tax is imposed on self-employment earnings in the MTA region at flat rates of 0.60% and 0.34% for individuals with annual MTA-region self-employment income of more than

\$50,000. As with the payroll tax, once a taxpayer crosses the threshold of taxability, all of its MTA-region self-employment income is taxed -- it, too, is a threshold, not an exclusion.

Details

This option would raise the highest payroll tax rate from 0.60% to 0.73% for payroll in New York City, and from 0.34% to 0.413% in the suburban counties -- increases of 21.6%. It would also increase the threshold for taxability from \$312,500 of quarterly payroll to \$400,000 (from annual rates of \$1.25 million to \$1.6 million).

The self-employment tax rate would be increased from 0.60% to 0.73% for self-employment income in New York City, and from 0.34% to 0.413% in the suburban counties. The \$50,000 annual threshold for taxability would not be changed.

Impact

The payroll tax changes would raise a net of about \$500 million annually.

The increase in the threshold for payroll-tax taxability would eliminate the tax for approximately 20,000 relatively small businesses with about 300,000 employees, for a tax revenue loss of approximately \$40-45 million.

The businesses newly excluded from tax are likely to be dominated by small firms in the following areas: (1) professional and technical services such as accounting, architectural, consulting, and legal services, (2) ambulatory health care such as family planning services, outpatient mental health care, home health care, dentists, physicians, and other health care providers, (3) restaurants and bars, (4) electricians, plumbers, and other specialty contractors, and (5) performing arts.

The increase in the highest rate will hit businesses with more than \$437,500 quarterly payroll (\$1.75 million annual). All would face the same 21.6% increase but the largest increases in dollars would come from the securities and investment industries, larger firms engaged in professional and technical services (e.g., lawyers, architects, management consultants), and for-profit hospitals and universities.

New York City businesses would pay more than 90% of the increase.

We have relatively little data on who would be affected by the self-employment tax increase but it is likely to be dominated by the self-employed in securities and investment management, and in professional and technical services.

Risks

Legal and implementation risks would be minimal given that this is a tried and true revenue source, and increasing rates and thresholds do not appear to raise any new legal issues. There are significant political risks to enacting an increase, and the increase is likely to be subject to continuing political attack after enactment as is the current tax.

The revenue estimates are subject to some risk largely because no publicly available data sources break businesses in the MTA region down by size of payroll and so the estimated impacts rely on estimates of the distribution of taxpayers.

What other states do

States generally do not have payroll taxes (as opposed to income taxes), although a few have payroll taxes to support special purposes such as disability insurance or paid family leave. Several major cities have payroll taxes, most notably Philadelphia. Several transportation authorities have payroll taxes.

[Oregon's Portland-area TriMet Transit District rate](#) is 0.8237%. Oregon's Lane Transit District in Eugene-Springfield has a payroll tax rate of 0.8%. Both transit districts had been increasing rates generally by 0.1% under state increase-authority that ends in 2025. For example, the Lane district increased the rate annually [from 0.71% in 2016 to 0.8% in 2025](#). (Oregon also has a [statewide transit tax](#) that supports transit around the state, imposed on wages of employees, not on employers.) The top Oregon income tax rate is 9.9%. The top New York State rate is 10.9% and the top New York City rate is 3.876% so increasing New York's tax on wages would add to already-high combined tax rates. (However, New York's top state income tax rate only kicks in for taxpayers with over \$25 million of income so very few taxpayers face New York's highest rates.)

Does it require state appropriation?

No. It would be administered in the same way as the current PMT.

Implications for other governments

The tax applies to state government employers in the MTA region (including the MTA) and to local government employers other than school districts and libraries, so they would face increases. It does not apply to federal government employers.

Potential revenue

The tax increase would raise approximately \$500 million from the payroll tax and \$12 million from the self-employment tax. Detailed breakdowns are in the appendix.

As noted above, there is some risk to the estimate because there is no publicly available data on the breakdown of MTA-region employers by payroll size. Furthermore, available data are for establishments (workplaces) rather than employers (an employer may have several establishments in the MTA region). The estimates rely on several assumptions about the distribution of employers by payroll size that could be wrong. Several improvements in the estimating methodology are forthcoming but the estimate will still be subject to some risk. It would be reasonable to put a range of +/- 10% around the estimate. Government analysts might be able to prepare more accurate estimates using confidential data collected by the NY state Department of Labor that allows linking establishments to firms and allows calculation of firm-level payroll.

Appendix Tables -- Payroll mobility tax

Estimated distribution of the current tax, 2024

Estimated distribution of PMT wage tax by establishment payroll size, 2024					
Private sector only. Amounts in \$ millions					
Average establishment payroll (\$)	# of establishments	# of employees	Total payroll (\$m)	PMT wage tax (\$m)	Tax as % of total
>= 0 - < 500,000	257,752	897,876	\$48,810.3	\$0.0	0.0%
>= 500,000 - < 1,000,000	92,981	908,267	65,942.1	0.0	0.0%
>= 1,000,000 - < 1,200,000	22,562	321,404	24,253.8	0.0	0.0%
>= 1,200,000 - < 1,250,000	905	10,265	1,110.0	0.0	0.0%
>= 1,250,000 - < 1,400,000	10,630	100,383	14,424.3	15.9	0.6%
>= 1,400,000 - < 1,600,000	10,848	187,865	16,202.7	26.7	1.0%
>= 1,600,000 - < 1,750,000	4,585	104,192	7,654.0	17.6	0.7%
>= 1,750,000 - < 1,800,000	1,177	23,893	2,085.4	9.9	0.4%
>= 1,800,000 - < 2,000,000	4,101	105,820	7,631.5	33.7	1.3%
>= 2,000,000 - < 3,000,000	18,487	458,764	42,859.1	233.7	9.1%
>= 3,000,000 - < 4,000,000	6,153	238,101	21,600.4	116.6	4.5%
>= 4,000,000 - < 5,000,000	3,402	156,740	15,055.1	79.6	3.1%
>= 5,000,000 - < Inf	16,135	2,338,677	360,115.8	2,033.4	79.2%
Total	449,718	5,852,247	\$627,744.3	\$2,567.2	100.0%

Source: Melding of Quarterly Census of Employment and Wages (QCEW) 2023 with County Business Patterns (CBP) 2022

Note: Estimated current-law 2024 wage tax is approximately 12% lower than \$2.9 billion wage tax collections. Possible reasons: (1) Some state and local government entities are taxed but not included above. This could be a substantial part of the difference. (2) True tax rates are based on firm size in MTA region, for which there is little data, but calculations are based on establishment size. Establishments in multi-establishment firms are smaller than firms so calculated tax rates are biased downward. (3) Estimated distributions of establishments by size rely on CBP 2022 which can't be linked perfectly with QCEW 2023. This might result in downward bias of tax revenue, but that seems unlikely given the methods used.

Estimated NYC-suburbs distribution of the current tax, 2024

Estimated distribution of PMT wage tax by establishment payroll size, 2024								
Private sector only. Amounts in \$ millions								
Average establishment payroll (\$)	New York City			Suburbs			Total PMT wage tax (\$m)	NYC share of tax
	# of establishments	Total payroll (\$m)	PMT wage tax (\$m)	# of establishments	Total payroll (\$m)	PMT wage tax (\$m)		
>= 0 - < 500,000	148,252	\$26,740.2	\$0.0	109,500	\$22,070.0	\$0.0	\$0.0	–
>= 500,000 - < 1,000,000	53,332	38,447.1	0.0	39,650	27,495.0	0.0	0.0	–
>= 1,000,000 - < 1,200,000	13,727	14,926.4	0.0	8,835	9,327.3	0.0	0.0	–
>= 1,200,000 - < 1,250,000	181	221.6	0.0	724	888.4	0.0	0.0	–
>= 1,250,000 - < 1,400,000	9,548	13,001.2	14.3	1,082	1,423.1	1.6	15.9	90.1%
>= 1,400,000 - < 1,600,000	7,039	10,462.2	16.5	3,809	5,740.4	10.3	26.7	61.7%
>= 1,600,000 - < 1,750,000	3,420	5,720.2	13.2	1,165	1,933.8	4.4	17.6	74.7%
>= 1,750,000 - < 1,800,000	614	1,090.3	6.5	563	995.1	3.4	9.9	65.9%
>= 1,800,000 - < 2,000,000	1,605	2,989.3	17.9	2,497	4,642.2	15.8	33.7	53.2%
>= 2,000,000 - < 3,000,000	14,764	33,840.2	203.0	3,723	9,018.9	30.7	233.7	86.9%
>= 3,000,000 - < 4,000,000	4,746	16,600.5	99.6	1,407	4,999.9	17.0	116.6	85.4%
>= 4,000,000 - < 5,000,000	2,474	10,940.1	65.6	927	4,115.0	14.0	79.6	82.4%
>= 5,000,000 - < Inf	13,148	311,143.2	1,866.9	2,987	48,972.6	166.5	2,033.4	91.8%
Total	272,850	\$486,122.6	\$2,303.6	176,868	\$141,621.8	\$263.6	\$2,567.2	89.7%

Source: Melding of Quarterly Census of Employment and Wages (QCEW) 2023 with County Business Patterns (CBP) 2022

Note: Estimated current-law 2024 wage tax is approximately 12% lower than \$2.9 billion wage tax collections. Possible reasons: (1) Some state and local government entities are taxed but not included above. This could be a substantial part of the difference. (2) True tax rates are based on firm size in MTA region, for which there is little data, but calculations are based on establishment size. Establishments in multi-establishment firms are smaller than firms so calculated tax rates are biased downward. (3) Estimated distributions of establishments by size rely on CBP 2022 which can't be linked perfectly with QCEW 2023. This might result in downward bias of tax revenue, but that seems unlikely given the methods used.

Raise exclusion from \$1.2m to \$1.6m and raise top rate proportionately in NYC & suburbs to maintain revenue-neutrality, 2024

Rates

Current PMT rates			
Payroll upper bound	nyc	suburbs	
1,250,000	0.000%	0.000%	
1,500,000	0.110%	0.110%	
1,750,000	0.230%	0.230%	
Inf	0.600%	0.340%	

Revenue neutral rates, increasing exclusion and top rate			
Payroll upper bound	nyc	suburbs	
1,600,000	0.000%	0.000%	
1,750,000	0.230%	0.230%	
Inf	0.610%	0.346%	

Estimated impact of revenue-neutral rate changes

Revenue-neutral increase in tax-exclusion threshold (to \$1.6m annual from \$1.25m) with proportionate increase in top rate (+1.7%)										
Private sector only. Amounts in \$ millions										
Average establishment payroll (\$)	New York City			Suburbs			Baseline total PMT wage tax (\$m)	Alternative total tax (\$m)	Change in tax (\$m)	NYC share of tax change
	# of establishments	Baseline PMT wage tax (\$m)	Alternative PMT wage tax (\$m)	# of establishments	Baseline PMT wage tax (\$m)	Alternative PMT wage tax (\$m)				
>= 0 - < 500,000	148,252	\$0.0	\$0.0	109,500	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	–
>= 500,000 - < 1,000,000	53,332	0.0	0.0	39,650	0.0	0.0	0.0	0.0	0.0	–
>= 1,000,000 - < 1,200,000	13,727	0.0	0.0	8,835	0.0	0.0	0.0	0.0	0.0	–
>= 1,200,000 - < 1,250,000	181	0.0	0.0	724	0.0	0.0	0.0	0.0	0.0	–
>= 1,250,000 - < 1,400,000	9,548	14.3	0.0	1,082	1.6	0.0	15.9	0.0	–15.9	90.1%
>= 1,400,000 - < 1,600,000	7,039	16.5	0.0	3,809	10.3	0.0	26.7	0.0	–26.7	61.7%
>= 1,600,000 - < 1,750,000	3,420	13.2	13.2	1,165	4.4	4.4	17.6	17.6	0.0	–
>= 1,750,000 - < 1,800,000	614	6.5	6.7	563	3.4	3.4	9.9	10.1	0.2	64.6%
>= 1,800,000 - < 2,000,000	1,605	17.9	18.2	2,497	15.8	16.1	33.7	34.3	0.6	51.8%
>= 2,000,000 - < 3,000,000	14,764	203.0	206.4	3,723	30.7	31.2	233.7	237.6	3.9	86.2%
>= 3,000,000 - < 4,000,000	4,746	99.6	101.3	1,407	17.0	17.3	116.6	118.6	2.0	84.7%
>= 4,000,000 - < 5,000,000	2,474	65.6	66.7	927	14.0	14.2	79.6	81.0	1.3	81.6%
>= 5,000,000 - < Inf	13,148	1,866.9	1,898.0	2,987	166.5	169.4	2,033.4	2,067.4	34.1	91.4%
Total	272,850	\$2,303.6	\$2,310.4	176,868	\$263.6	\$256.1	\$2,567.2	\$2,566.6	–\$0.6	–

Source: Melding of Quarterly Census of Employment and Wages (QCEW) 2023 with County Business Patterns (CBP) 2022

Note: Estimated current-law 2024 wage tax is approximately 12% lower than \$2.9 billion wage tax collections. Possible reasons: (1) Some state and local government entities are taxed but not included above. This could be a substantial part of the difference. (2) True tax rates are based on firm size in MTA region, for which there is little data, but calculations are based on establishment size. Establishments in multi-establishment firms are smaller than firms so calculated tax rates are biased downward. (3) Estimated distributions of establishments by size rely on CBP 2022 which can't be linked perfectly with QCEW 2023. This might result in downward bias of tax revenue, but that seems unlikely given the methods used.

Raise exclusion from \$1.2m to \$1.6m and raise top rate proportionately in NYC & suburbs to raise \$500m, 2024

Rates

Current PMT rates		
Payroll upper bound	nyc	suburbs
1,250,000	0.000%	0.000%
1,500,000	0.110%	0.110%
1,750,000	0.230%	0.230%
Inf	0.600%	0.340%

Rates to raise \$500 million: Combination of higher top rate and increase in exclusion from tax		
Payroll upper bound	nyc	suburbs
1,600,000	0.000%	0.000%
1,750,000	0.230%	0.230%
Inf	0.730%	0.413%

Estimated impact of raising \$500 million while also raising threshold of taxability

\$500 million increase from 21.6% increase in top rate and raising tax-exclusion threshold to \$1.6m annual from \$1.25m										
Private sector only. Amounts in \$ millions										
Average establishment payroll (\$)	New York City			Suburbs			Baseline total PMT wage tax (\$m)	Alternative total tax (\$m)	Change in tax (\$m)	NYC share of tax change
	# of establishments	Baseline PMT wage tax (\$m)	Alternative PMT wage tax (\$m)	# of establishments	Baseline PMT wage tax (\$m)	Alternative PMT wage tax (\$m)				
>= 0 - < 500,000	148,252	\$0.0	\$0.0	109,500	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	–
>= 500,000 - < 1,000,000	53,332	0.0	0.0	39,650	0.0	0.0	0.0	0.0	0.0	–
>= 1,000,000 - < 1,200,000	13,727	0.0	0.0	8,835	0.0	0.0	0.0	0.0	0.0	–
>= 1,200,000 - < 1,250,000	181	0.0	0.0	724	0.0	0.0	0.0	0.0	0.0	–
>= 1,250,000 - < 1,400,000	9,548	14.3	0.0	1,082	1.6	0.0	15.9	0.0	–15.9	90.1%
>= 1,400,000 - < 1,600,000	7,039	16.5	0.0	3,809	10.3	0.0	26.7	0.0	–26.7	61.7%
>= 1,600,000 - < 1,750,000	3,420	13.2	13.2	1,165	4.4	4.4	17.6	17.6	0.0	–
>= 1,750,000 - < 1,800,000	614	6.5	8.0	563	3.4	4.1	9.9	12.1	2.1	66.1%
>= 1,800,000 - < 2,000,000	1,605	17.9	21.8	2,497	15.8	19.2	33.7	41.0	7.3	53.4%
>= 2,000,000 - < 3,000,000	14,764	203.0	247.0	3,723	30.7	37.2	233.7	284.3	50.6	87.0%
>= 3,000,000 - < 4,000,000	4,746	99.6	121.2	1,407	17.0	20.6	116.6	141.8	25.2	85.5%
>= 4,000,000 - < 5,000,000	2,474	65.6	79.9	927	14.0	17.0	79.6	96.9	17.2	82.6%
>= 5,000,000 - < Inf	13,148	1,866.9	2,271.3	2,987	166.5	202.3	2,033.4	2,473.6	440.2	91.9%
Total	272,850	\$2,303.6	\$2,762.4	176,868	\$263.6	\$304.9	\$2,567.2	\$3,067.2	\$500.1	91.7%

Source: Melding of Quarterly Census of Employment and Wages (QCEW) 2023 with County Business Patterns (CBP) 2022

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