Impact of Recent Federal Tax Changes on Hospital Workers in New York State

Boyd Proposal to Greater New York Hospital Association

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# Goals

* Analyze how recent federal income tax changes would affect representative hospital workers in New York state. For the tax years 2025, 2026, and 2027, compare taxes under the current law (after recent federal tax changes) to taxes under actual law for 2024. See methods and data section for details.
* Representative households should be consistent with wage and other data on hospital workers provided by the Greater New York Hospital Association, fleshed out to reflect the diversity of tax situations households are likely to face. For example, representative households should reflect, in realistic ways, different hospital occupations, family structures, regions of the state, home ownership or renting arrangements, spousal income levels, and other factors that influence, in important ways, how recent federal income tax changes will affect federal income taxes.
* Vet representative households and preliminary results with Greater New York Hospital Association.
* Prepare a report to the Greater New York Hospital Association, which could be made public or otherwise shared by GNYHA, that (1) explains ways in which the new federal tax law can affect the taxes of hospital workers in New York, (2) discusses characteristics of hospital workers that are important for federal income tax, (3) presents impacts on representative households clearly and intuitively, and (4) documents data and methods clearly and convincingly. I anticipate a report of 10-20 pages, plus a detailed methodological appendix. If GNYHA seeks a different format, that would be important to know.
* Final report to be provided as soon as practical. Assumed here to be January 31, 2026. Preliminary results will be available sooner.

# Methods and data

## Constructing representative households

The goal is to construct realistic households that are not unnecessarily complex, and that reflect the diversity of tax-relevant characteristics estimated or known to be common among hospital workers in New York.

### Characteristics of representative households

Representative households will be designed to realistically reflect diverse tax situations. Households will have information such as:

* Household characteristics
  + NY region of residence (important for wages, home value, property taxes, and NYC income tax)
  + Owner or renter
  + Home value if owned
  + Potential SALT deductions:
    - Property taxes if any
    - NY state and NYC (if any) income taxes (approximate calculations)
  + Other potential itemized deductions (affects whether household will itemize or take the standard deduction):
    - Mortgage interest, if any
    - Charitable contributions, if any
* Characteristics of the hospital worker
  + Age
  + Occupation
  + Hospital wages
  + Overtime pay, if any (for qualified overtime pay preference in OBBBA)
  + Other income, if any (important for household marginal tax rate and state and local income taxes)
  + Filing status: married, single, head of household, surviving spouse
* Characteristics of spouse (if any):
  + Age (necessary for the new senior deduction added by OBBBA)
  + Income (necessary for determining marginal tax rate and household state and local income taxes)
* Characteristics of children (if any)
  + Number of children
  + Ages (important for child care tax credits)

### Main steps in developing representative households

* Seek up-front input from GNYHA on kinds of representative households to construct.
* Important considerations include:
  + Occupations -- likely some subset of:
    - registered nurses
    - physicians
    - mid-level professionals such as pharmacists, physical therapists, and lab technologists
    - nurse practitioners
    - administrative staff
    - support personnel
  + Family arrangements -- this will be informed by analysis of microdata in the American Community Survey (ACS)
    - Married
      * children
      * no children
    - Single
    - Sole householder (e.g, divorced, or widowed) with children
  + Region of state - will be informed by data from GNYHA and by analysis of ACS and NYS data on variation in local taxes. Regions might be:
    - NYC
    - Downstate suburban (e.g., LI and Westchester)
    - Upstate suburban
    - Upstate small city or rural
  + Other tax-relevant characteristics -- will be informed by ACS, IRS data, other GNYHA data, and other sources. Candidates for analysis:
    - Overtime pay -- OBBBA allows deduction of up to $25k of qualified overtime pay for a married couple ($12.5k for singles) (applies only to the OT premium -- e.g., the “half” in time-and-a-half)
    - Nonwage income -- probably only relevant for doctors, and only important in establishing the relevant marginal tax rate
    - Owner vs renter and implications for potential SALT deductions
    - Other potential itemized deductions, affecting whether a household will benefit from the SALT cap increase.
  + This could lead to a lot of representative households
    - e.g., 6 occupations x 4 family arrangements x 4 regions x perhaps an average of 2 sets of tax-relevant non-wage characteristics = 192 potential households if every combination is considered
    - We would have at least 3 tax comparisons (2024 old law vs. 2025, 2026, and 2027 new law)
    - 3 tax comparisons x 192 households = at least 576 potential tax comparisons. The report would not list all comparisons. It would report important comparisons and draw conclusions based on the full set of data.
    - It would be possible to have a simple accompanying web page that lets someone filter and compare different kinds of households.
* Obtain and examine GNYHA data on wages and other characteristics of existing workers
* Flesh out preliminary representative households (considering occupation, family arrangements, region, and other tax characteristics)
* Gather feedback from GNYHA on representative household profiles before finalizing

## Calculating federal income taxes for representative households

The analysis will take into account all major provisions of H.R.1 (the “One Big Beautiful Bill Act”) affecting the federal individual income tax and likely to be of importance to hospital workers. Among other things, relative to 2024 law, it will reflect:

### SALT Deduction Cap

* The maximum state and local tax (SALT) deduction rises from $10,000 in 2024 to $40,000 for 2025 and later years during the window covered by the law.
* For taxpayers with modified adjusted gross income above $500,000, the allowable SALT deduction is phased down, reverting to $10,000 for the highest incomes.
* Starting in 2026, the $40,000 cap is indexed for inflation, modestly increasing each year.
* SALT deduction increases are mainly beneficial to households with enough itemized deductions to exceed the standard. Thus, there is interaction between the SALT-cap increase, the standard deduction changes, household state and local taxes paid (if homeowners), and the magnitude of other potential deductions, particularly mortgage interest and charitable contributions, which ordinarily are among the largest itemized deductions.

### Standard Deduction

* There is a one-time “bump” in the standard deduction beyond what regular inflation indexing would have produced, with 2025 standard deduction amounts set to $15,750 (single), $23,625 (head of household), and $31,500 (married filing jointly).
* These amounts are higher than they would have been under normal CPI adjustments.

### Income Tax Brackets

* For 2026, a special one-time inflation “bump” is applied to the 10% and 12% federal income tax brackets.
* This permanently shifts the boundaries for these lowest tax brackets higher than regular indexing alone, so more taxable income is subject to lower rates in 2026 and future years.
* This adjustment means more income will be taxed at the lowest rates, reducing total federal income tax for most workers, especially those in the lower and middle brackets.

### Child Tax Credit (CTC) and Additional Child Tax Credit (ACTC)

* The Child Tax Credit increases to $2,200 per qualifying child under age 17 for 2025 and later years, up from $2,000 in 2024.
* The refundable portion (i.e., ACTC) increases to $1,700 for 2025.
* Both the CTC and the refundable portion will be indexed for inflation starting in 2026.

### New Senior Deduction

* Taxpayers age 65 and older receive a new, temporary deduction of $6,000 per person on top of the standard or itemized deduction for tax years 2025 through 2028.
* This deduction phases out for single filers with income over $75,000 and joint filers with income over $150,000.

### Overtime Pay Deduction

* Certain types of overtime pay may be eligible for a new, preferential deduction (up to set limits and subject to income phaseouts), effectively reducing taxable income for many workers in these categories. (There is also a preference for income from tips that I do not plan to incorporate in the analysis.)
* The overtime pay deduction phases out for higher incomes, so its primary impact is on early- and mid-career staff (and not on higher-earning physicians/households).

I do not plan to model the impacts of changes to health savings accounts, to student loans, or to tip income because the anticipated federal revenue impacts are small and I do not believe they would have significant impacts on many hospital workers. (If you disagree, please let me know.)

Taxpayers will be assumed to make logical tax-minimizing choices, such as claiming itemized deductions only if they result in lower taxes than would the standard deduction.

I plan to make these calculations with the assistance of the Policy Simulation Library’s Tax-Calculator model, a highly regarded model of the federal income tax ([code](https://github.com/PSLmodels/Tax-Calculator); [documentation](https://taxcalc.pslmodels.org/)).

While there may be some spillover effects on the New York State and New York City income taxes due to federal tax changes, I do not plan to model them. Doing so would add extraordinary complexity to the project.

# Presentation of results

Once preliminary results are available, I will prepare a simple webpage for GNYHA’s information that discusses key conclusions. It will describe how representative hospital workers are affected overall by recent federal tax changes, and discuss which kinds of workers are affected the most and which are affected the least. The webpage will also list results for all representative workers in a way that allows easy comparison.

The project report will provide a more detailed analysis and discussion, including relevant tables and graphs as appropriate. It will have a detailed appendix describing data and methods.

# Deliverables and timeframe

* Preliminary results -- December 31, 2025
* Draft report for GNYHA review -- January 8, 2026
* Final report -- January 31, 2026

# Project cost

A total of $72,800, payable one-third at project start, one-third upon delivery of draft report, and one-third upon acceptance of final report.