MONTHLY ECONOMIC INDICATORS

Planning and Regional Development Department

THE PORT AUTHORITY OF NY & NJ

October 2017

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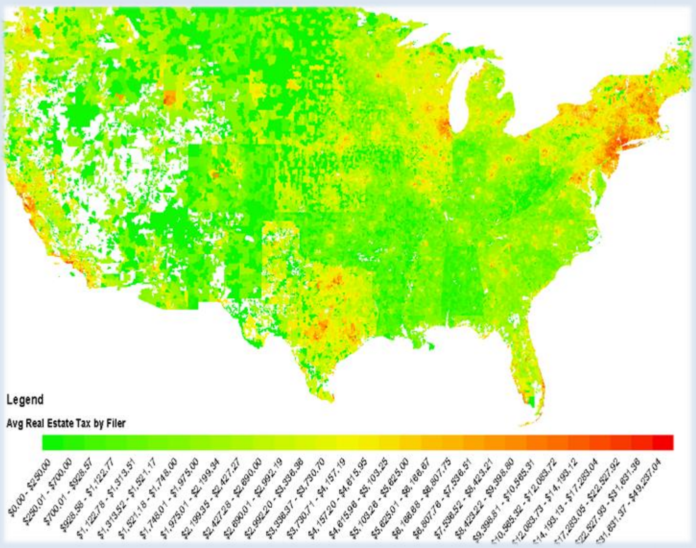
THE WATCHLIST

Economic Variables		Current	One Year Trend
UNITED STATES			Aug 2016 - Aug 2017
Real GDP [Annual Rate]	Q3 2017	3.0%	
Unemployment Rate	Sep-17	4.2%	
Consumer Price Index [Annual]	Sep-17	2.2%	
Gasoline Price [Regular]	Oct-17	$2.51	
PORT AUTHORITY REGION			
Regional Employment [NY MSA]	Sep-17	9,651	
Consumer Price Index [Annual]	Sep-17	2.1%	
Port District Exports [$Bill]	Aug-17	$10.39	
Port District Imports [$Bill]	Aug-17	$22.90	
Case-Shiller Home Price Index	Jul-17	4.0%	
Commercial Real Estate Asking Rent			
Midtown	Q2 2017	$83.95	
Downtown	Q2 2017	$61.72	

Too Much SALT?

As of today, the U.S. Senate has passed the removal of the deduction for State and Local Taxes, referred to as the acronym S.A.L.T., as part of its current attempt at a budget bill and tax reform. That package removes the deduction of state- and local-level taxes, including real estate taxes paid to local governments, that the roughly 30 percent of us who itemize deductions subtract from our federal gross income during tax season. The deduction has been singled out to be dropped in the "reformed" tax regime to provide new revenue, an estimated $1.3 trillion over ten years, and offset any proposed tax corporate cuts.

Eliminating SALT deductibility may not be good news for tax payers in the Port Authority region. According to 2015 IRS data, New Jersey and New York are among the states that collect the most revenue from local, state, and real estate taxes. The map below illustrates the depth of the average real estate taxes paid by filers across the country. Note that more urban areas often rely on higher real estate taxes to fund basic services. These urban centers would also be negatively impacted by the deduction loss.



As the tax plan is still being negotiated, a final tax reform bill could include fewer tax brackets, other deductions being amplified, and new tax credits being formed. Therefore, it is almost impossible to estimate the true impact the elimination of SALT deductibility may have on an individual's final income. However, we can provide an understanding of SALT impacts on households and their place of residence. According to IRS data, New Jersey and New York's lower and middle income households pay more than twice the national average in SALT. Even if there are changes in the national structure of the tax system, this discrepancy will more than likely negatively impact a majority of the PA region's filing population.

Some in congress believe that removing the SALT deduction will pressure their local officials to lower their respective taxes. The claim being made is that states and cities that have high SALT often have ineffective, over-spending governments that don't need to tax that much and can fix their fiscal woes by slashing spending. This belief also presumes that the federal government "subsidizes" these municipalities by allowing their tax not to be taxed again at the federal level. The concept that high tax states are taking from lower taxed states is misleading and probably incorrect with many studies, including one conducted by New York State's Comptroller, finding otherwise. The chart below shows 2015 taxes and the return on every dollar a state gives in federal taxes. A majority of the high SALT states receive less than they put into the federal system.

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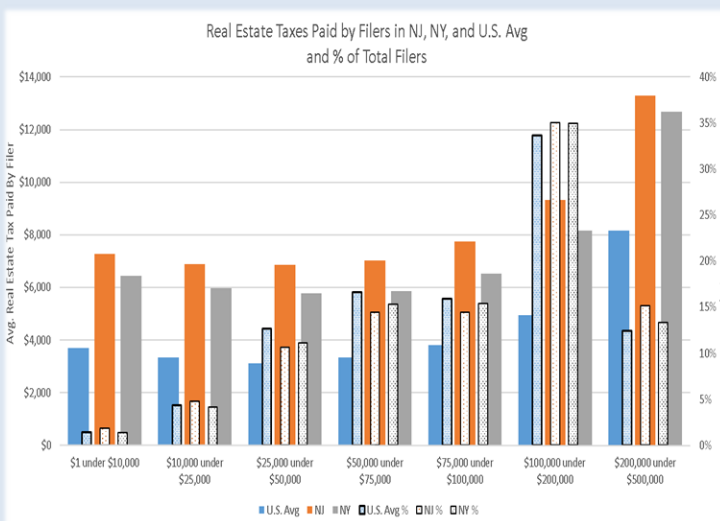

Source: IRS State Income Tax Data

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AVIATION	Aug '17	YTD	Aug '17/'16	YTD '17/'16
Revenue Passengers (000's)	**12,709.6**	**89,133.9**	**3.2%**	**3.0%**
John F. Kennedy International Airport (JFK)	5,991.3	40,372.5	2.4%	1.7%
LaGuardia Airport (LGA)	2,708.6	19,431.7	2.0%	-1.2%
Newark Liberty International Airport (EWR)	3,953.0	29,070.3	4.4%	7.7%
Stewart International Airport (SWF)	56.6	259.4	118.0%	42.4%
Revenue Freight (Short Tons)	**191,301**	**1,438,954**	**11.3%**	**7.6%**
Domestic	68,585	501,972	10.0%	5.2%
International	122,716	936,982	12.0%	8.9%
Flights	**117,506**	**863,645**	**1.7%**	**-0.1%**
Domestic Air Carrier	82,509	614,767	1.0%	-0.5%
International Air Carrier	28,602	202,779	2.1%	0.6%
General Aviation	6,395	46,099	8.5%	1.8%
Paid Parked Cars	**710,226**	**4,845,819**	**-4.5%**	**-11.5%**
Revenue AirTrain Passengers	**963,604**	**6,797,568**	**4.9%**	**3.6%**

FERRY OPERATIONS	Aug '17	YTD	Aug '17/'16	YTD '17/'16
Passengers (000's)				
New Jersey Ferries	932.2	6,029.3	8.2%	2.5%

PATH	Aug '17	YTD	Aug '17/'16	YTD '17/'16
Passengers (000's)	**7,688.0**	**55,193.0**	**11.4%**	**5.3%**
Average Weekday	297.0	2,256.3	10.2%	5.6%
Average Saturday	119.6	909.5	23.1%	4.0%
Average Sunday	94.8	711.6	21.0%	6.4%

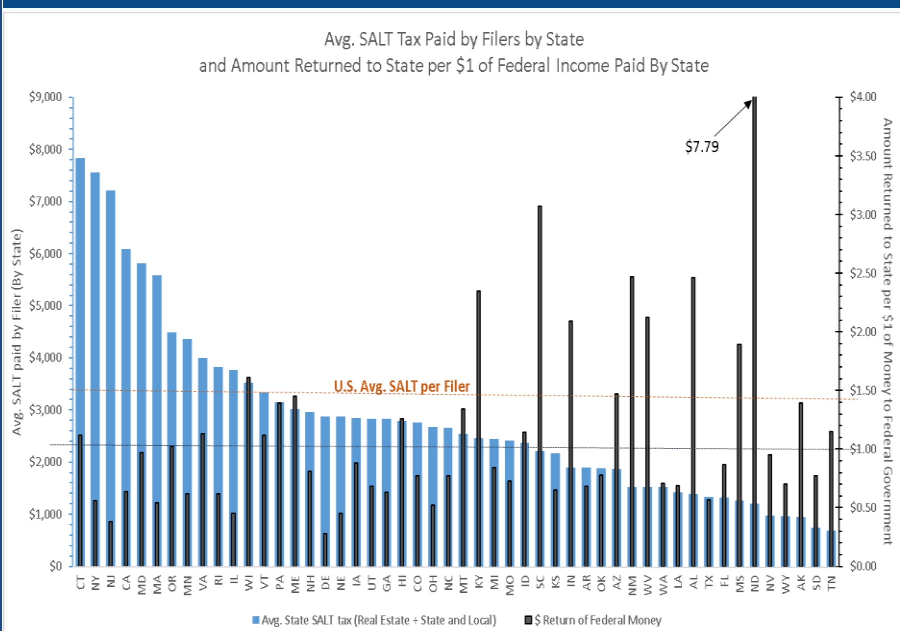
PORT COMMERCE	Aug '17	YTD	Aug '17/'16	YTD '17/'16
Port Trade				
Container Imports (TEUs)	320,848	2,243,551	5.4%	5.7%
Container Exports (TEUs)	125,312	930,527	5.9%	2.9%
Containers lifted on/off Express Rail	51,115	374,193	3.0%	2.7%

TUNNELS, BRIDGES & TERMINALS	Aug '17	YTD	Aug '17/'16	YTD '17/'16
Eastbound Vehicle Volumes (000's)	**10,806**	**79,100**	**0.7%**	**0.3%**
George Washington Bridge	4,745	34,382	-0.4%	0.3%
Lincoln Tunnel	1,649	12,575	-0.6%	-1.3%
Holland Tunnel	1,300	9,819	-2.3%	-3.7%
Bayonne Bridge	219	1,503	60.9%	40.2%
Goethals Bridge	1,453	10,449	1.3%	0.1%
Outerbridge Crossing	1,440	10,372	1.9%	2.6%
Eastbound Volumes by Vehicle Type (000's)				
Autos	9,879	72,280	0.6%	0.3%
Trucks	658	4,844	2.2%	0.2%
Buses	268	1,973	-0.1%	-1.1%

PORT AUTHORITY PULSE (Seasonally Adjusted, 2010=100)	Apr '17	Mar '17	Change
PA Pulse (Transportation Activity Index)	100.7	98.2	2.5%
PA Freight Pulse	97.1	95.3	1.9%
PA Passenger Pulse	104.2	101.1	3.1%

U.S. TRANSPORT. SERVICES INDEX (Prelim., Seasonally Adj., 2000=100)	Aug '17	Jul '17	Change
TSI - Combined Index	129.5	128.4	0.9%
TSI - Freight	130.7	128.8	1.5%
TSI - Passenger	126.8	127.0	-0.2%

TRANSPORTATION **FOCUS**



Source: IRS State Income Tax Data, WalletHub

It is also no coincidence that the high SALT states are more densely populated. These states often have more local needs such as additional roads and other infrastructure that they must pay for with no federal help. Of the states with higher than average SALT, 38% of their highway miles are classified as urban, which often requires higher maintenance costs due to more use. Lower SALT states only have 26% on average. In addition, only one high SALT state had over 6% of their highways system owned by the federal government while one in four of low SALT states had an amount of federal highways greater than that, with nearly 20% of the low SALT states in double digit territory.

Although the future of the tax code changes remains cloudy, removing the SALT deduction is a fundamental shift that could have larger ramifications down the road. The change may break the long held covenant of how the federal government perceives local governments with respect to financial governance. One then wonders, with similar arguments being thrown around, would taxing municipal bonds be next? Any and all such changes will directly affect taxpayers in the PA region and other metropolitan areas across the country.

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