

MONTHLY ECONOMIC INDICATORS

Planning and Regional Development Department

THE PORT AUTHORITY OF NY & NJ

October 2019

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The 2017 Tax Cut and Jobs Act: Some Early Findings

The financial impact of the 2017 Tax Cut and Jobs Act has been heavily debated since the passing of the law. While some marginal tax rates were lowered as part of the bill, other credits, exemptions and deductions, most notably the deductibility of state income and local taxes (SALT), also changed. Those combined changes made it difficult to forecast what the exact impact might be for households and businesses in our region. The Brookings Tax Policy center estimated that on average, households in 2018 would see a 2.2% increase in after-tax income. However, the New York State Department of Taxation and Finance predicted that the change in SALT deductions alone would lead to New York residents paying an additional \$14.3 billion per year.

An initial analysis of data from the IRS for the 2018 filing year yields some interesting findings. Collections from residents in New York and New Jersey went up significantly. Taking both states together, personal taxpayers paid nearly \$20 billion more in federal income taxes last year than the year prior. In other words, these two states alone contributed more than 17 percent of the total increase in personal tax receipts.

Overall, it is fair to say that a strong economy created more employment and income and potentially higher federal tax receipts as a result despite the lower marginal rates. Specifically, average wages in New York and New Jersey grew by roughly 5% from 2017 to 2018. Likely more significant though was the reduction in SALT deductibility as the main factor that increased federal tax collections. This change was only partially offset by modifications to other credits such as the child tax credit. A more thorough analysis is needed to tease apart these different effects.

It is important to note that these changes in collections only capture the 2017 and 2018 tax years. Some of the changes made as part of the 2017 Tax Cut and Jobs Act will have longer lasting effects. For instance, the loss of SALT deductibility has been estimated to affect real estate values for the next decades in states that have seen greater impacts such as New York and New Jersey. In fact, we are only in the early stages of feeling the full impact of the tax law.

THE WATCHLIST

Economic Variables		Current - One Year Trend	
UNITED STATES			Oct 2018 - Oct 2019
Real GDP [Annual Rate]	2019Q3	1.9%	
Unemployment Rate	Sep-19	3.5%	
Consumer Price Index [Annual]	Sep-19	1.7%	
Gasoline Price [Regular]	Sep-19	\$2.59	
PORT AUTHORITY REGION			
Regional Employment [NY MSA]	Sep-19	9,947	
Consumer Price Index [Annual]	Sep-19	1.4%	
Port District Exports [\$Bill]	Aug-19	\$9.59	
Port District Imports [\$Bill]	Aug-19	\$26.20	
Case-Shiller Home Price Index	Aug-19	1.4%	
Commercial Real Estate Asking Rent			
Midtown	2019Q3	\$82.22	
Downtown	2019Q3	\$66.70	

	Gross Receipts		Personal	Business
2018	<i>In Million Dollars</i>			
New York	\$	281,220	\$	21,598
New Jersey	\$	138,977	\$	14,593
United States	\$	3,465,467	\$	262,742
2017				
New York	\$	268,354	\$	26,130
New Jersey	\$	143,835	\$	24,521
United States	\$	3,416,714	\$	338,529
Change				
New York	\$	12,866	\$	(4,532)
New Jersey	\$	(4,859)	\$	(9,929)
United States	\$	48,752	\$	(75,787)

Source: [IRS State tax collection Statistics Yearbook](#)

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AVIATION	Aug '19	YTD	Aug '19/'18	YTD '19/'18	PORT	Aug '19	YTD	Aug '19/'18	YTD '19/'18
Revenue Passengers (000's)	13,269.9	94,563.4	0.2%	2.0%	Port Trade				
John F. Kennedy International Airport (JFK)	6,060.2	42,548.1	-1.4%	2.6%	Container Imports (TEUs)	342,541	2,525,575	2.7%	4.7%
LaGuardia Airport (LGA)	2,886.9	20,726.5	3.5%	3.7%	Container Exports (TEUs)	127,237	986,770	1.7%	-1.1%
Newark Liberty International Airport (EWR)	4,260.6	30,888.6	0.6%	0.4%	Containers lifted on/off Express Rail	60,212	445,414	4.3%	4.3%
Stewart International Airport (SWF)	62.3	400.2	-18.4%	-11.7%					
Revenue Freight (Short Tons)	176,356	1,442,617	-8.8%	-3.3%	TUNNELS, BRIDGES & TERMINALS	Aug '19	YTD	Aug '19/'18	YTD '19/'18
Domestic	69,917	561,901	-3.0%	5.1%	Eastbound Vehicle Volumes (000's)	10,976	80,980	1.0%	1.5%
International	106,439	880,716	-12.3%	-8.0%	George Washington Bridge	4,712	34,504	0.4%	0.6%
Flights	128,359	983,567	-0.1%	0.1%	Lincoln Tunnel	1,609	12,306	-1.0%	-2.2%
Domestic Air Carrier	80,416	621,463	-2.3%	-0.4%	Holland Tunnel	1,357	10,285	2.3%	4.0%
International Air Carrier	28,660	208,188	0.8%	1.7%	Bayonne Bridge	326	2,095	25.1%	9.8%
General Aviation	19,283	153,916	8.5%	0.5%	Goethals Bridge	1,606	11,791	2.8%	9.1%
Paid Parked Cars	646,772	4,466,251	-4.6%	-2.5%	Outerbridge Crossing	1,366	9,999	-2.5%	-2.3%
Revenue AirTrain Passengers	1,117,157	7,683,130	10.2%	7.9%	Eastbound Volumes by Vehicle Type (000's)				
					Autos	10,091	74,068	1.6%	1.8%
					Trucks	627	4,938	-6.6%	-0.8%
					Buses	258	1,972	-3.4%	-0.8%
FERRY OPERATIONS	Aug '19	YTD	Aug '19/'18	YTD '19/'18					
Passengers (000's)									
New Jersey Ferries	1,024.5	7,340.4	12.5%	17.5%					
PATH	Aug '19	YTD	Aug '19/'18	YTD '19/'18	U.S. TRANSPORT. SERVICES INDEX	Aug '19	Jul '19	Change	
Passengers (000's)	7,080.0	54,686.0	0.5%	0.2%	(Prelim., Seasonally Adj., 2000=100)				
Average Weekday	281.5	283.7	2.2%	1.6%	TSI - Combined Index	138.7	137.3	1.0%	
Average Saturday	110.7	105.3	13.0%	-5.7%	TSI - Freight	140.6	138.7	1.4%	
Average Sunday	83.4	77.0	5.2%	-6.2%	TSI - Passenger	134.6	134.4	0.1%	

TRANSPORTATION FOCUS

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When analyzing business tax receipts and effective tax rates, the picture is clearer. Tax rates fell across the board and total business tax receipts dropped by roughly \$75 billion. The drop in nominal corporate rates from 35% to 21% pushed down the effective corporate business tax rate from nearly 21% to 14% nationally. Interestingly, the decline in tax rates yielded a larger impact in New Jersey than in any other state in the country. According to the IRS data, New Jersey's businesses paid nearly \$10 billion less in 2018 compared to 2017, the largest reduction of any state in the country. At the same time, New York's businesses paid \$4.5 billion less.

It is unclear based on our initial analysis why New Jersey's business tax collections fell disproportionately more than any other state. Maybe it has had something to do with the region's vast accountant labor force. The region has 42% more accountants than the rest of the country in terms of labor composition! Alternatively, there might be business and financial aspects that require further analysis to illuminate the reason. We will continue to research the question and would also appreciate any feedback from our readers on this issue.



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Port Authority of NY & NJ
Planning & Regional Development Department
4 World Trade Center| 150 Greenwich St., 16th Floor
New York, NY 10007

Alexander Heil, Ph.D., Chief Economist; aheil@panynj.gov
 Maria Enache, Forecasting & Regional Economics
 Christopher Eshleman, Forecasting & Cost-Benefit Analysis
 Matthew W. Jacobs, Forecasting & Cost-Benefit Analysis
 Graciela Ramirez, Input-Output Modeling & Regional Economics
 Andrea C. Ruiz, Forecasting & Regional Economics
 Paulina Urbanowicz-Pollock, Leadership Fellow

Huajing Shi, Ph.D., Data Science