SUMMARY OF

The Economic Impact of Single Sales Factor Apportionment for the State of NEW YORK (November 2000)

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PURPOSE OF STUDY --

To prepare estimates of the impact that adopting the single sales factor apportionment formula would have on job creation and tax revenue for the State of New York

Estimates are based on statistical examinations of other states' experiences that changed their apportionment formula during the 1980's and 1990's

Analysis takes into consideration other factors that can affect employment such as state tax rates, state trends, national unemployment rates, and actions of other states regarding their apportionment formulae

FINDINGS --

Increasing the weight on the sales factor has significant positive effects on in-state employment

Switching to a single sales factor should increase the number of manufacturing jobs in New York by about 3.5% or 32,000 jobs. In addition, the non-manufacturing job sector should increase by about 1.3% or 101,000 jobs.

Such an increase in the number of jobs would impact personal tax revenue by approximately $184 million to $247 million per year. The corporate tax revenue losses would need to be balanced against any gains in personal income tax revenues

The study says that the apportionment formula has a large and significant effect on a state's economy. The payroll weight is a significant determinant of state employment.

Any long-run increases tend to occur gradually over a period of 3 years or more.

The composition of the apportionment formula can affect incentives to locate in a certain state. Both the payroll and property factors create a disincentive for businesses to locate or expand in a state because they may see their tax liability increase.

Some see the single sales factor formula as a way to export the corporate income tax to out-of-state companies, although the evidence is mixed on this point.