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FY 2026

Analysis of the 2025 November Financial Plan
by the Independent Budget Office

**Sustained Growth Amidst Conflicting Signals:
IBO's November Economic and Tax Revenue Outlook**



December 2025

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Introduction

Economic indicators this calendar year have been sending inconsistent signals, complicating the assessment of economic conditions and resulting in a mixed outlook for the national and local economies. In this uncertain context, IBO presents a new economic and revenue forecast, detailed in this report as part of its City Charter-mandated review of the November 2025 Financial Plan. Several major indicators of economic performance, including real gross domestic product growth and consumer spending, have remained resilient throughout the year. Inflation has largely continued a slow downward trajectory after spiking in 2022. IBO currently projects a generally improved economic outlook both nationally and locally, relative to IBO's May 2025 forecast.

Although IBO's outlook has improved since its May forecast 2025, weakness in job growth is historically atypical for an otherwise growing economy. Trends in employment are currently even more difficult to assess because of substantial delays in U.S. Department of Labor's Bureau of Labor Statistics (BLS) employment numbers relating to the federal government shutdown. These delays have impacted reporting for both national and local employment. This report details IBO's outlook for the national and local economy and IBO's forecast of City tax revenues, building off the tables presented in IBO's Analysis of the November 2025 Financial Plan report.

Last year, IBO's November 2024 Financial Plan economic and tax revenue outlook report highlighted tariffs, immigration, and federal taxation as three major areas of political uncertainty at the federal level directly tied to the national economy. Last year's report was released before the second Trump administration took office, so it was unclear how campaign priorities and rhetoric would translate to specific policies. Almost one year into President Trump's second term, there is more clarity in some of these areas. Meanwhile, new areas of volatility in federal policies have emerged, continuing to affect national economic performance.

National Economy

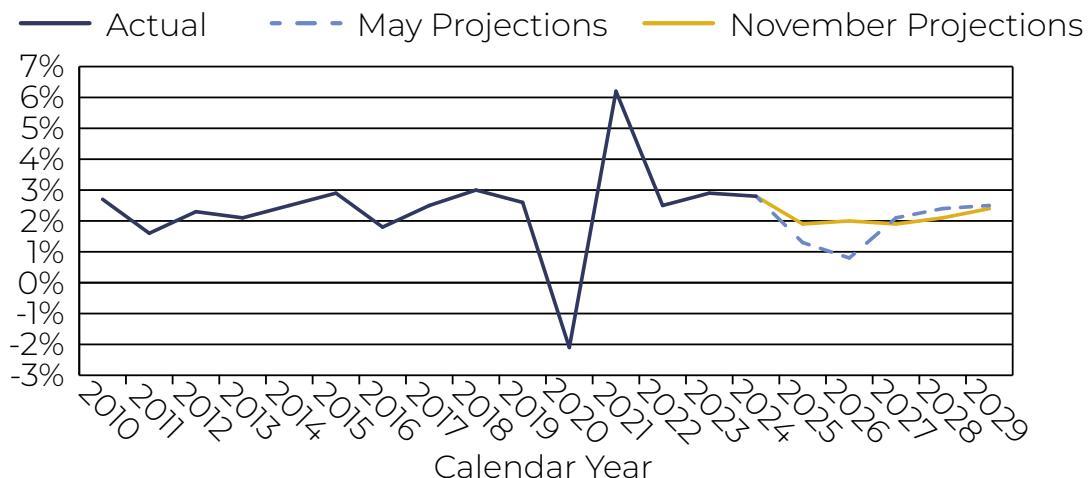
In its forecast, IBO first looks at a baseline of November 2025 national economic indicators, rooted in a consensus of nationally recognized experts. Compared with such forecasts from the spring, which had incorporated the range of extreme possibilities of what could occur under the second Trump administration, the national economic outlook has generally improved.

Growth in the Gross Domestic Product

Figure 1 displays comparisons of IBO's May and November 2025 projections for annual real (inflation-adjusted) gross domestic product (GDP) growth. GDP reflects total economic activity within a country and is a standard metric for how economists measure the size of the economy. GDP growth in the decade-long expansion from 2010 through 2019 averaged 2.4% per year. The COVID pandemic triggered a sharp, brief recession in 2020, followed by a substantial recovery in 2021 and subsequent years.

FIGURE 1

Annual Real GDP Growth



SOURCE: IBO November 2025 Economic Forecast

New York City Independent Budget Office

The heightened uncertainty this past spring led to prior IBO projections of notably slowing growth in 2025 and 2026, driven by the possibility of disruptions to the supply chain and price levels resulting from tariffs. IBO forecasts more GDP growth in the short run relative to its May projections, based on GDP's resilience throughout the year. IBO's current

November 2025 forecast of annual GDP growth of 1.9% in 2025 and average annual growth of 2.1% from 2025 through 2029 is more in line with the pre-COVID average. GDP growth this past year has been sustained in large part by consumer spending.

Annual Inflation

IBO's updated projection for inflation throughout the financial plan period is illustrated in Figure 2. Inflation, as measured by the Consumer Price Index (CPI), spiked at 8.0% in 2022,

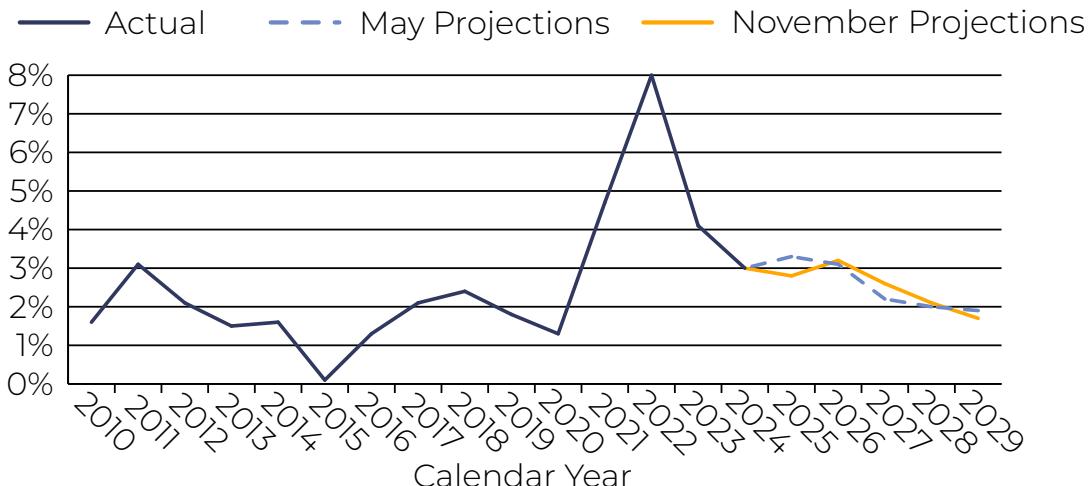
Update: Tariffs

The imposition of unprecedented and widespread new tariffs on goods imported from most of the world materialized, at least briefly, during the spring of 2025. The Trump administration's rollout of tariffs was characterized by a series of starts, stops, temporary delays, and ongoing trade negotiations. A case now pending before the Supreme Court is likely to determine the scope of the president's authority to impose such tariffs without Congressional approval.

The national economy has weathered the tariff confusion better than expected overall, although with marked exceptions, as different sectors are impacted to varying degrees. One major risk—heightened inflation (due to the cost of tariffs being passed on via consumer prices)—has seemingly not materialized. Rather, at least for the time being, it appears that many businesses have absorbed some or all the tariff-related costs until consumers' willingness to pay is better understood, and the legality, scope, and permanency of the Trump administration's tariffs are more settled. The risk for future inflationary pressure remains.

FIGURE 2

Annual Inflation (Consumer Price Index) Rate



SOURCE: IBO November 2025 Economic Forecast

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declining to 3.0% in 2024. IBO has adjusted its forecast of inflation for this year downward from 3.3% to 2.8%. Uncertainty about tariffs earlier this year also led to a higher forecast for inflation, which had been decreasing slowly since spiking in 2022. The improvement in IBO's current forecast reflects the three successive interest rate cuts

made by the Federal Reserve in 2025, as it balances its dual mandate of promoting job and general economic growth against keeping inflation at a low and stable level. Projected inflation levels in 2026 through 2029 are slightly higher than in May, due to the continued risk of disruptions caused by still-shifting tariff policies.

National Job Growth

An unusual development in the national economy is that the rate of job growth has been slowing, a trend that is incongruent with the resilience of other indicators such as real GDP growth. IBO measures job growth as the difference between jobs in the fourth quarter of one year compared to the fourth quarter of the previous year (referred to as a Q4-to-Q4 measurement). Compared with the 1.9 million jobs added across the nation in 2024, based on available BLS statistics, so far only 1.1 million jobs are projected to be added in 2025, slowing even further to just

New Risk: Executive Interference in Economic Data

The Bureau of Labor Statistics (BLS) is the branch of the federal Department of Labor charged with the calculation and publication of key economic indicators including official employment numbers and inflation measures. On August 1, 2025, President Trump fired BLS Commissioner McEntarfer, in direct response to BLS's publication of a downward revision of July jobs numbers. (That revision was widely expected among economists and not unusual, historically.) The suggestion of direct political interference in the operations of an agency widely considered to be an impartial source of critical macroeconomic information continues to raise profound concerns. Reliability and trustworthiness of official statistics such as those that BLS provides, including employment and inflation figures, is foundational to an accurate understanding of the national and local economies.



375,000 in 2026 in IBO's national economic outlook. Delayed until mid-December because of the government shutdown, BLS reported that the U.S. added 64,000 jobs in November, partially reversing October losses. Much of the near-term jobs reporting is murky due to the recent government shutdown and large shifts in federal employment. BLS also reported that national unemployment ticked upwards from 4.4% to 4.6%. This year has seen the highest numbers of layoffs since 2009 (excluding the temporary pandemic effect in 2020). These signs are more consistent with periods of general economic slowdown or even downturn, which creates a complicated picture for the direction of the national economy.

New York City Economy

IBO next reviews current conditions and the outlook for the local economy. IBO applies its local economic model to estimate the City's major tax revenues.

Local Job Growth

Based on currently available data, IBO projects substantially slower growth in local New York City employment this year compared with last year, followed by a moderate rebound in 2026 (as measured Q4-Q4). Compared with projections in May, IBO's short term outlook for total job growth has improved, reflecting stronger macroeconomic performance, as illustrated in Figure 3.

Local employment figures from the BLS's Current Employment Survey have been delayed due to the federal government shutdown, during which the majority of BLS's workforce was furloughed. Local jobs numbers are normally released on the third Thursday of the month, for the preceding month. This year, September numbers were not released until early December, and October numbers will be released in conjunction with November numbers on a date yet to be announced. In addition to this, New York City's employment numbers for July and August included an overcount of the number of jobs from the City's Summer Youth Employment Program. This anomaly was later removed from the September employment figures.

As a result, IBO's 2025 forecast largely relies on numbers from the first half of the year, when growth was particularly slow, and essentially flat across most industries. Total New York City employment in September is 4.86 million, an increase of 35,400 over the fourth quarter of 2024. IBO's 2025

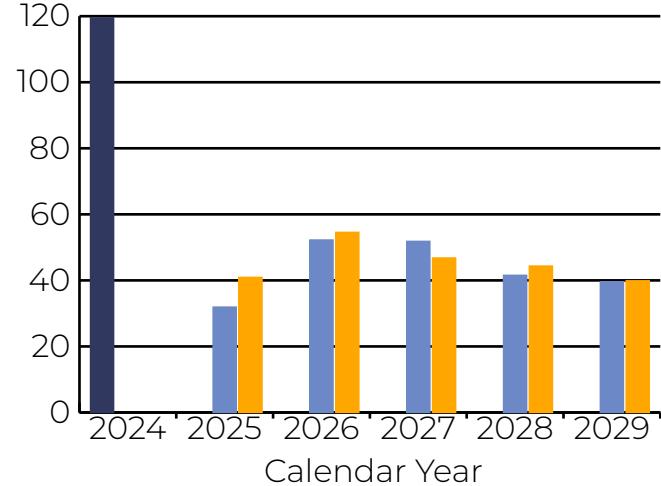
FIGURE 3

Total Job Growth in New York City (Q4-to-Q4)

Actual May Projections

November Projections

Jobs, in Thousands



SOURCE: IBO November 2025 Economic Forecast
New York City Independent Budget Office

forecast for Q4-to-Q4 growth is 40,900 jobs, increasing to 54,600 jobs in 2026 and then gradually declining in 2027 through 2029.

Local Job Gains and Losses by Sector

Local employment growth, in aggregate, continues to be concentrated in home health aides, classified within the health care and social assistance sector. As a low-wage industry, this expansion has limited effects on aggregate personal income growth, while higher wage sectors continue to drive the income story. [Figure 4](#) presents IBO's forecast of growth in individual industries for New York City. The growth of home health aides has dominated employment trends following New York State's expansion of the Consumer Directed Personal Assistance Program (CDPAP) in 2015. CDPAP is a State program that allows eligible Medicaid recipients to hire and manage their own paid caregivers for in-home care.

For nearly a decade, the growth of home health aide jobs has been extremely high, as the program made many individuals already serving in a personal home care capacity for a family member or friend eligible for compensation, with employment rolls reflecting their work. Showing signs of saturation, this growth is expected to slow in the future.

Performance in the rest of New York City's job sectors show modest, uneven results. Job growth across all other employment sectors this year is particularly weak for some (information, government, finance, wholesale trade) and slightly negative for others (professional services, leisure and hospitality, private education, personal services, construction, and manufacturing). Retail trade, in particular, continues to shed jobs as has been a common pattern since the pandemic, as a result of permanently shifted shopping habits. Although currently garnering much attention, it is too soon to see what impact generative artificial intelligence may have on which sectors, and to what scale for New York City.

Certain key local economic indicators such as the recent exuberance of the stock market—bolstering dividends and capital gains and thus Personal Income Tax collections—remain strong. But generally anemic employment growth across most sectors (except health care and social assistance) suggests a continued holding pattern in business activity until the implications of changes at the federal level make their way through the broader economy. IBO forecasts continued growth in several of the City's key high-wage sectors including finance, professional services, and information, as well as stronger growth in leisure and hospitality as tourism in the City recovers.

Aggregate Personal Income and Wall Street Performance

The largest source of personal income for New York City residents comes in the form of wages and earnings through employment, a projected \$624 billion in 2025 (74% of all income). Areas of high wage growth include finance and portions of the health care industry. Other important sources of income for City residents include business income for the owners of companies, dividend and interest income from investments, and government transfers. In aggregate, IBO projects total personal income of \$845 billion in 2025, growth of \$36.9 billion over 2024 (4.6%). IBO anticipates aggregate personal income will accelerate to a growth rate of 5.7%, reaching \$892 billion in 2026. Despite slowing job growth, wages in key sectors such

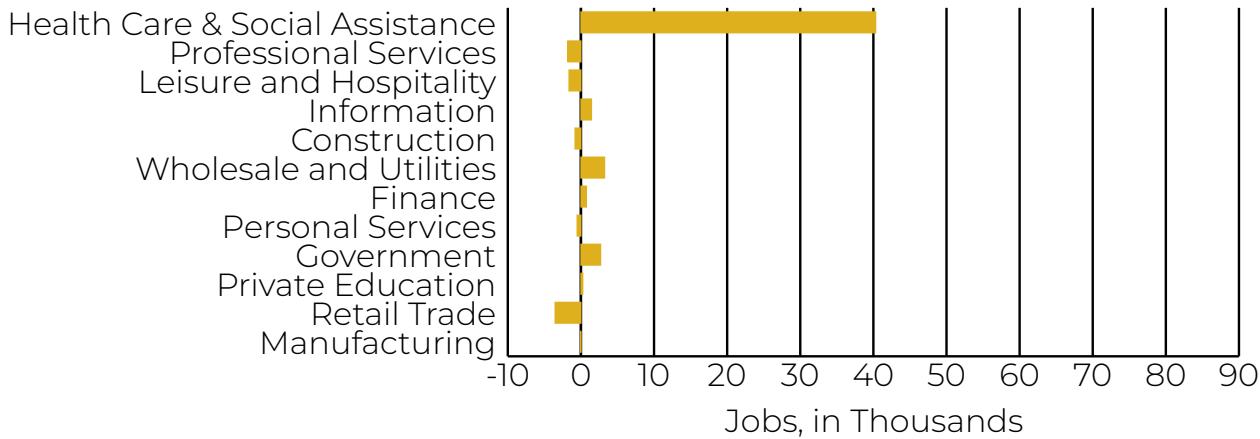
FIGURE 4

New York City Job Growth by Sector

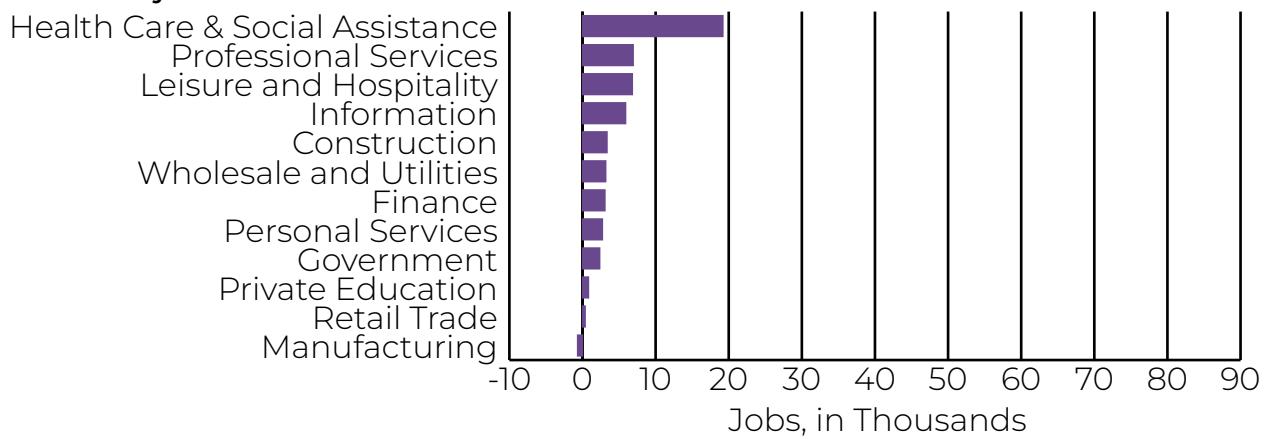
2024 Actual



2025 Projected



2026 Projected



SOURCE: IBO November 2025 Economic Forecast

New York City Independent Budget Office

as finance and professional services have kept up, and investment income is strong due to Wall Street performance. This aggregate estimate aligns with projected local employment trends and national economic growth. From 2027 through 2029, annual projected growth averages 4.1%, with total personal income reaching just over \$1 trillion in 2029.

The performance of Wall Street—currently on track for a record-setting year of profits—is a key determinant of overall income in the City. Figure 5 displays annual profits for the past several years, recently peaking at \$58.3 billion in 2021. Profits are projected to hit \$62.4 billion this year. Strong performance among technology firms—particularly AI—accounts for much of this strength. While undeniably changing the way that much work across the country is done, most industries are still in the early phases of AI adoption, and there are widespread concerns that stocks in this area are overvalued. A market correction is broadly anticipated to occur. Estimates from Moody's and S&P Global, among others, put this correction in the range of the high single or low double digits. The precise timing and extent of such a correction, however, remains an open question.

Tourism

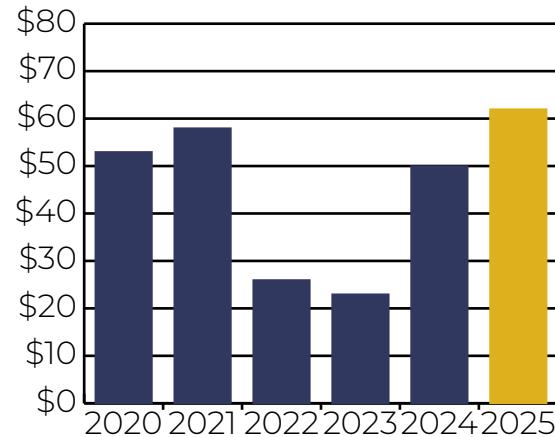
Tourist visits to New York City, both domestic and international, are expected to total 64.7 million in calendar year 2025, per New York City Tourism + Conventions, the City's central tourism bureau. This is an increase of 200,000 from 2024 levels, largely driven by domestic tourism, which grew from 51.6 million to a projected 52.4 million visitors this year. International tourist visits are expected to decline by 600,000 in 2025 and may not reach last year's level until 2027. According to the U.S. Department of Commerce [International Air Travel Statistics](#), from January

FIGURE 5

Wall Street Profits

- Wall Street Profits (Actual)
- Wall Street Profits (Projected)

Dollars in Billions



SOURCE: IBO November 2025 Economic Forecast
New York City Independent Budget Office

Update: Immigration

The Trump administration's immigration raids have deeply disrupted New Yorkers' lives at a human level as immigrant households are avoiding seeking services and conducting daily activities out of fear of immigration enforcement. This has economic implications for communities and businesses, particularly in New York City's many neighborhoods with large immigrant populations. Simultaneously, the Trump administration's changes to immigration policy, including increasing H-1B visa fees to as high as \$100,000, will disrupt businesses, particularly in high-wage sectors central to New York City's economy.

through November 2025 the number of non-U.S. citizen arrivals to New York City's three major airports fell by 460,000 (over 5%) compared with the same period in 2024.

The number of Canadians visiting New York City fell by almost 20 percent in 2025 and is not expected to reach 2024 levels until 2029, according to travel data provider Tourism

Economics. Western European tourist numbers, on the other hand, fell by much less this year and will rebound to last year's level by 2026. International visitors tend to stay for longer and spend more than domestic tourists. One temporary bright spot for international tourism is that the 2026 World Cup will host eight games in East Rutherford, New Jersey, including the Grand Final in July. Co-hosting the World Cup in the New York metro area is expected to contribute heavily to New York City tourism in June and July 2026. This bump is factored into IBO's forecast of the City's Hotel Occupancy Tax, discussed in the next section.

New York City Tax Revenue

Local tax revenue, collected on various forms of economic activity by New York residents and businesses, totaled \$80.2 billion in City fiscal year 2025. (In this section, years refer to City fiscal years unless otherwise noted.) This represents 69.0% of IBO's total \$118.3 billion in estimated revenue, when combined with federal, State, and other revenues received by the City.

Consistent with its economic forecast, IBO's November 2025 tax revenue forecast projects tax revenue growth to continue over the years of the financial plan, although at a lower rate than the 8.3% annual growth experienced in 2025 (see Figure 6). Relative to IBO's total City tax revenue estimates, the Adams administration projects slower growth, particularly in 2026 and 2027, as presented by the Mayor's Office of Management and Budget (OMB). Each of the City's major sources of tax revenue are discussed below.

Real Property Tax

Real Property Taxes (RPT) are paid by owners of real estate in New York City. The amount of tax owed depends on the Class (type) of

FIGURE 6

Total City Tax Revenue

Dollars in Millions

	Fiscal Year				
	2025 Actual	2026	2027	2028	2029
IBO	\$80,207	\$82,256	\$83,840	\$86,482	\$89,331
Growth	8.3%	2.6%	1.9%	3.2%	3.3%
OMB	80,207	81,636	82,735	85,379	88,202
Growth	8.3%	1.8%	1.3%	3.2%	3.3%

SOURCES: IBO and OMB November 2025 Tax Revenue Forecasts

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Class 1

One-, Two-, and Three-Family Houses

Class 2

Apartment Buildings, Including Coops and Condos

Class 3

Utility Company Properties

Class 4

Commercial and Industrial Properties

FIGURE 7

Real Property Tax Class Descriptions

Class 1	One-, Two-, and Three-Family Houses
Class 2	Apartment Buildings, Including Coops and Condos
Class 3	Utility Company Properties
Class 4	Commercial and Industrial Properties

property, its value for tax purposes, and the applicable tax rate. Under State law, there are four classes of property in the City (see Figure 7). Based on the Department of Finance (DOF)'s final assessment roll for 2026, IBO's forecast of RPT revenue this year is anticipates roughly the same growth as presented by the Adams administration. (See Figure 8.)

IBO's forecast of real property taxes remains largely unchanged from the May 2026 forecast with the exception that IBO now projects a modestly slower growth rate of assessed values for Class 2 properties. Class 2 properties are now expected to grow at 3.0% on average from 2026 through 2029. This is down from an average of 3.5% in the previous May forecast.

This adjustment in Class 2 assessed values stems from a DOF methodological adjustment to better represent slower growth rates of Manhattan rental apartments since the COVID-19 pandemic. IBO projects that slow to flat growth in the assessed value of Manhattan rentals is now a long term or permanent trend. As such, IBO adjusted its RPT model modestly to give more weight to growth rates of Manhattan rentals after 2020.

IBO's forecast of RPT revenues are \$14 million higher than those of the Adams administration for 2026 and \$81 million lower for 2027, where IBO predicts slower growth in RPT revenue. After 2027 IBO's forecast diverges from the Administration's with stronger RPT expectations through 2029. While IBO's and OMB's forecasts are premised on a continuation of the current Real Property Tax system, *Tax Equity Now NY LLC v. City of New York* may result in changes to the NYC property tax system. The ongoing litigation, which challenges how New York City assesses and levies property taxes, and related potential legislation, lends uncertainty for the City's largest tax revenue source.

Real Estate-Related Taxes

Reflecting anticipated trends in real estate markets and the renting of commercial real estate, Figure 9 shows IBO's forecast of the three other real estate-related taxes: Real Property Transfer Tax (RPTT), Mortgage Recording Tax (MRT), and the Commercial Rent Tax (CRT).

Real Property Transfer Tax

Paid by the seller, RPTT liabilities are based on the sale prices of the real estate transactions. In addition to sales prices, the City's RPTT revenue depends on the volume of transactions, in particular large commercial sales, and thus can vary from year to year. IBO made a slight downward revision in the projected amount of RPTT revenue for 2026, down to \$1.28 billion from the \$1.32 billion IBO projected in May. The continued higher interest rates continue to hamper some

FIGURE 8

Real Property Tax

Dollars in Millions

	Fiscal Year				
	2025 Actual	2026	2027	2028	2029
IBO	\$34,650	\$35,235	\$36,443	\$37,708	\$38,994
Growth	5.4%	1.7%	3.4%	3.5%	3.4%
OMB	34,650	35,221	36,524	37,603	38,717
Growth	5.4%	1.6%	3.7%	3.0%	3.0%

SOURCE: IBO and OMB November 2025 Tax Revenue Forecasts

New York City Independent Budget Office

activity in the real estate markets, and commercial markets still face struggles. IBO expects this trend will carry into 2026, with tax revenue growth slowing to 2.2%.

Anticipating a lower federal interest rate environment moving forward as inflation continues to cool, RPTT growth is projected to accelerate in 2027 before leveling off, ending the financial plan period slightly lower than the Adams administration's projections. (See [Appendix](#) for full information the national economic forecast indicators IBO uses as the basis for its revenue forecasts.)

Mortgage Recording Tax

The MRT is paid by mortgage holders based on the size of their mortgages on real property, including refinancings. IBO forecasts \$869 million in 2026 MRT revenue. MRT collections remain lower than the 20-year peak of \$1.3 billion in collections in 2022. Recent interest rate reductions by the Fed are expected to drive MRT revenue upward by 12.4% in 2026, reaching \$869 million. This is driven by a consistent volume and increasing sales prices for residential real estate. IBO predicts MRT revenue will grow more modestly in 2027 before leveling off in 2028 and 2029. By 2029, IBO estimates MRT collections will total \$918 billion, below the Adams administration's forecast of \$961 million.

FIGURE 9

Property Related Taxes

Dollars in Millions

	Fiscal Year				
	2025 Actual	2026	2027	2028	2029
Real Property Transfer					
IBO	\$1,249	\$1,276	\$1,422	\$1,434	\$1,437
Growth	10.5%	2.2%	11.4%	0.8%	0.2%
OMB	1,249	1,332	1,392	1,453	1,516
Growth	10.5%	6.6%	4.5%	4.4%	4.3%
Mortgage Recording					
IBO	773	869	908	915	918
Growth	29.6%	12.4%	4.5%	0.8%	0.3%
OMB	773	813	861	914	961
Growth	29.6%	5.2%	5.9%	6.2%	5.1%
Commercial Rent					
IBO	943	949	969	992	1,014
Growth	2.7%	0.7%	2.1%	2.3%	2.3%
OMB	943	942	966	979	992
Growth	2.7%	-0.1%	2.5%	1.3%	1.3%

SOURCES: IBO and OMB November 2025 Tax Revenue Forecasts

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Commercial Rent Tax

CRT is a tax imposed on rent payments made by large commercial tenants in Manhattan properties south of 96th Street. The tendency for commercial tenants to sign long, multi-year leases leads CRT collections to be more stable than the other real estate related taxes. IBO projects 2026 collections of \$949 million, slightly above May projections based on collection patterns so far this year. Thereafter IBO projects modest growth in CRT collections through 2029. IBO's forecast remains very close to the Administration's forecast throughout the financial plan period.

Personal Income Tax

Personal Income Taxes (PIT) are withheld from employees' paychecks or paid in the form of quarterly estimated payments based on current earnings. The Pass-Through Entity Tax (PTET), created by New York State in 2021, is a workaround to address the federal cap on the amount of state and local taxes (SALT) eligible for federal income tax deduction. PTET is intended to shift the income tax liability of some taxpayers from the PIT to PTET without affecting total City tax revenue.

IBO's forecast of continued employment growth and personal income gains in the coming years underlies the projected growth in combined revenue from the PIT and PTET. Although job growth this year has been anemic, wage growth has largely kept up, which supports withholdings. Furthermore, IBO's forecast anticipates higher investment gains due to strong stock market performance, which bolsters the growth of personal income, particularly for higher-income households. IBO estimates personal income tax (including PTET) to increase by 2.0% per year, on average, growing from \$18.4 billion in 2025 to \$19.9 billion in 2029. IBO's PIT forecast is presented in Figure 10. This PIT growth rate sits slightly below that of City tax revenues as a whole, which IBO projects to average 2.7% growth over the 2025-2029 period.

Withholding collections predominantly reflect income from employment and account for the largest share of PIT revenue, bolstered by the strong wage growth in particular sectors discussed above. IBO forecasts

withholding collections to increase by between \$500 and \$550 million each year. IBO expects quarterly estimated (installment) payments, the second-largest component of PIT revenue, to remain roughly flat in coming years. The recent lifting of the federal SALT cap, passed as part of the One Big Beautiful Bill Act (OBBBA), may slightly alter the balance of PTET and PIT revenues, though these shifts are expected to be moderate.

FIGURE 10

**Personal Income Tax (Including
Pass-Through Entity Tax)**

Dollars in Millions

	2025	2026	2027	2028	2029
IBO	\$18,422	\$19,184	\$18,720	\$19,316	\$19,946
Growth	17.6%	4.1%	-2.4%	3.2%	3.3%
OMB	18,422	18,726	18,289	19,179	19,983
Growth	17.6%	1.6%	-2.3%	4.9%	4.2%

SOURCES: IBO and OMB November 2025 Tax Revenue Forecasts
New York City Independent Budget Office

Compared with projections by the Adams administration, IBO's forecast of combined PIT and PTET revenue is greater in 2026 and 2027, due largely to higher projections for withholdings. IBO's forecast shows a decline in revenue between 2026 and 2027, not driven by macroeconomic decline in those years, but rather by lower estimates for PTET collections and offset payments, which reflect accounting adjustments between the State and the City.

By 2028 and 2029, IBO and the Adams administration's forecasts for PIT largely converge. Although IBO consistently forecasts higher withholding and installment payments, the gaps in these two components diminish over the later years. IBO also forecasts substantially larger refunds than the Adams administration, potentially a result of different expectations around PTET impacts, which further reduces the overall difference in net collections.

Sales Tax

The General Sales Tax is paid by consumers for many services and most goods, based on the amount purchased. Revenue is influenced by both local economic conditions as well as national and global economic trends because both residents and visitors buy goods and services that incur the tax.

IBO's forecast for General Sales Tax revenue (Figure 11) is in line with IBO's macroeconomic forecast, which predicts steady real GDP growth and no imminent recession. Strong stock market returns will continue to generate wealth for high-income households, supporting overall consumption and resulting in General

Update: Federal Tax Code Changes

The passage of the OBBBA offers considerable clarity regarding the tax policy direction of the second Trump administration. In broad scope, the bill preserved many of the provisions that were passed under the Tax Cuts and Jobs Act (TCJA) of 2017 that would otherwise have expired this year, affecting personal income and business income taxation. It also included many alterations, including the temporary expansion to the SALT cap and the exemption of tip income and overtime earnings.

Beyond OBBBA, the full scope of the federal legislation's impact on New York City residents and their state and local tax liabilities depends on whether or not State and City tax laws may remain coupled to federal definitions of income, to be decided by the State legislature. (See IBO's reports on [federal tax code changes for New York City filers](#) and estimating the impact of [raising the SALT deduction cap](#).)

FIGURE 11
General Sales Tax

Dollars in Millions

	2025	2026	2027	2028	2029
IBO	\$10,349	\$10,782	\$11,225	\$11,681	\$12,143
Growth	4.4%	4.2%	4.1%	4.1%	4.0%
OMB	10,349	10,705	11,041	11,484	11,911
Growth	4.4%	3.4%	3.1%	4.0%	3.7%

SOURCES: IBO and OMB November 2025 Tax Revenue Forecasts
New York City Independent Budget Office

Sales Tax revenue. The biggest risk to General Sales Tax revenue would come from a slowdown in consumption—for example, higher health insurance premiums leading to belt-tightening or a stock market correction reducing consumer confidence.

Corporate Taxes

The City imposes a tax on the profits of corporations through three mechanisms: the Business Corporation Tax for C-corporations, and the General Corporation Tax and Banking Corporation Tax for S-Corporations. Combined collections for all the corporate taxes totaled \$6.9 billion in 2025; after a string of record-breaking collection years since 2019 with high growth, 2025 collections were nearly identical to collections in 2024. The corporate taxes are notoriously the most volatile of the City's taxes, and the timing of economic impacts on collections can be especially difficult to predict, as corporations can use accounting rules to shift profits and losses between different tax years.

Corporate taxes have seen sustained multi-year growth, coupled with longstanding expectations that they would eventually settle toward more regular collection patterns. Corporate tax revenue growth has temporarily slowed, likely related to realized losses now being cashed in. Following the flat revenue growth in 2025, IBO's outlook for growth of corporate tax revenue is much more moderate than in recent years. (See Figure 12.) In 2026, IBO's forecast is below the Adams administration's forecast, but starting in 2027, IBO estimates faster growth. Combined with the fact that corporate revenue has not experienced a significant downturn even amidst pandemic-era disruptions, IBO's forecast incorporates a

higher national corporate profits outlook than reflected in the spring, sustained by corporate strength amidst a more favorable and now permanent federal tax regime.

FIGURE 12

Business Income Taxes

Dollars in Millions

	2025	2026	2027	2028	2029
Corporate Taxes					
IBO	\$6,884	\$7,064	\$7,120	\$7,277	\$7,516
Growth	0.0%	2.6%	0.8%	2.2%	3.3%
OMB	6,884	7,136	6,946	6,963	7,155
Growth	0.0%	3.7%	-2.7%	0.2%	2.8%
Unincorporated Business Tax					
IBO	3,384	3,408	3,482	3,573	3,680
Growth	21.3%	0.7%	2.2%	2.6%	3.0%
OMB	3,384	3,371	3,328	3,388	3,462
Growth	21.3%	-0.4%	-1.3%	1.8%	2.2%

SOURCES: IBO and OMB November 2025 Tax Revenue Forecasts

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Unincorporated Business Tax

The City's Unincorporated Business Tax (UBT) is imposed on the profits of businesses operating within the City that are organized in a form other than a corporation, such as sole-proprietorships, partnerships, and limited liability companies. Like the corporate taxes, UBT revenue generally came in very strong in the years since the onset of the pandemic. In contrast to the corporate taxes, however, 2025 was another year of strong growth for UBT. IBO projects UBT growth to slow after this, essentially flattening in 2027 before more modest growth, rising to \$3.7 billion in 2029 (refer to Figure 12). IBO's UBT forecasts are higher than the Adams administration's, again based on an increased profits estimate and the favorable federal treatment of business tax income resulting from OBBBA.

Hotel Occupancy Tax

The Hotel Occupancy Tax is paid by individuals who stay in hotel rooms, based on the amount of money the occupant pays to hotel operator, including service fees. IBO forecasts that Hotel Occupancy Tax revenue will increase by 6.7% to \$821.7 million in 2026, a strong upward revision from IBO's May forecast, which predicted \$780 million in Hotel Occupancy Tax revenue for 2026. Figure 13 presents IBO's forecast for this tax.

Tourism is a major driver of hotel bookings, contributing to the Hotel Occupancy Tax, and it is therefore an important indicator for this tax revenue. In the wake of the Trump

Administration's tariff increases in early 2025, local tourism forecasts expected a sharp drop in New York City tourism in 2025 and 2026, particularly from international tourists. While international visitors did decline in calendar year 2025, total tourists to the City will increase this calendar year, according to data from New York City Tourism + Conventions. Key hotel performance metrics such as average daily room rates and revenue per available room, however, grew in each month of calendar year 2025 compared to a year earlier, indicating that any slowdown in tourism did not translate to lower hotel room prices. Because the Hotel Occupancy Tax is based on the price of the hotel room, strong hotel prices translate into a positive for City tax revenues.

Cannabis Tax

One of the City's newest taxes, the Cannabis Tax is paid by consumers on sales at licensed retail cannabis dispensaries, in lieu of the City's General Sales Tax. As of December 4, 2025, 202 licensed cannabis dispensaries have opened in New York City. The rate of such store openings has increased dramatically since the first fiscal year of legal operations. In 2023, seven licensed stores opened, followed by 56 in 2024 and 101 in 2025. A total of 38 additional

FIGURE 13

Hotel Occupancy Tax

Dollars in Billions

	2025	2026	2027	2028	2029
IBO	\$770	\$822	\$855	\$889	\$924
Growth	9.0%	6.8%	4.0%	4.0%	3.9%
OMB	770	818	811	838	866
Growth	9.0%	6.2%	-0.9%	3.3%	3.3%

SOURCES: IBO and OMB November 2025 Tax Revenue Forecasts
New York City Independent Budget Office

stores have opened in the first five months of this fiscal year, 2026. As the total number of licensed dispensaries grows, the amount of retail cannabis sales subject to taxation has also grown.

The New York State Office of Cannabis Management has approved or is reviewing applications for licenses for dozens more New York City adult-use retail cannabis dispensaries. IBO expects that new licensed dispensaries will continue to open in the future, though the pace will likely slow over the next few years as the marketplace fills out. As more stores open, IBO expects Cannabis Tax revenue to continue to grow. However, retail prices for cannabis in New York State have dropped over the last several quarters. Continued price declines could put downward pressure on tax revenue from retail sales. IBO's Cannabis Tax forecast is similar to that of the Adams administration and is slightly higher in 2026 and 2029 and slightly lower in 2027 and 2028 (Figure 14).

Conclusion

Taken in full, IBO's tax forecast is stronger than the Adams administration's throughout the financial plan period, growing from an initial difference of \$619 million in 2026 to a difference of \$1.1 billion in 2029. While \$1.1 billion in additional revenue is important, it represents only 1.3% of IBO's total City tax revenue estimate for 2029. The difference between IBO and the Adams administration in tax revenue forecasts is driven largely by the Personal Income Tax in the short term, with business income taxes, Real Property Tax, and General Sales Tax contributing most of the difference in later years.

IBO's stronger revenue outlook, if realized, may result in a fiscal cushion for the incoming Mamdani administration, but the magnitude of the potential additional revenue is not large enough to offset the areas for which IBO estimates that additional funding will be needed. (See IBO's report for details on IBO's analysis of the November Plan expenses.) As noted above, IBO's tax projections are also rooted in an economic outlook that has improved throughout the year, but that outlook remains susceptible to future weakness, in light of the wide range of unpredictable federal policy shifts on the horizon and how New York State may respond in turn.

FIGURE 14

Cannabis Tax

Dollars in Millions

	2025	2026	2027	2028	2029
IBO	\$18	\$25	\$30	\$32	\$36
Growth	365.6%	38.9%	20.0%	6.7%	12.5%
OMB	18	23	31	34	37
Growth	365.6%	27.8%	34.8%	9.7%	8.8%

SOURCES: IBO and OMB November 2025 Tax Revenue Forecasts
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Appendix

FIGURE A1

National Economic Forecasts: IBO Compared with OMB

	Calendar Year				
	2025	2026	2027	2028	2029
Real GDP Growth					
IBO	1.9	2.0	1.9	2.1	2.4
OMB	1.9	2.3	1.8	1.6	1.7
Inflation Rate					
IBO	2.8	3.2	2.6	2.1	1.7
OMB	2.8	2.6	2.3	2.3	2.1
Personal Income Growth					
IBO	5	4.3	4.2	3.9	4.1
OMB	4.9	5.4	5.2	4.7	4.4
Unemployment Rate					
IBO	4.2	4.6	4.7	4.4	4.1
OMB	4.2	4.5	4.5	4.5	4.4
10-Year Treasury Bond Rate					
IBO	4.3	4.2	4.3	4.3	4.3
OMB	4.3	4.0	3.9	3.9	4.0
Federal Funds Rate					
IBO	4.2	3.3	2.8	3	2.9
OMB	4.3	3.5	3.1	3.1	3.1

SOURCES: IBO and OMB November 2025 economic forecasts

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FIGURE A2

Local Economic Forecasts: IBO Compared with OMB

	Calendar Year				
	2025	2026	2027	2028	2029
Nonfarm New Jobs Q4-Q4 (In Thousands)					
IBO	40.9	54.6	46.8	44.4	39.9
OMB	37.7	68.2	77.9	87.7	94.4
Nonfarm Employment Growth Q4-Q4					
IBO	0.8	1.1	1.0	0.9	0.8
OMB	0.8	1.4	1.6	1.8	1.9
Inflation Rate (CPI-U-NY)					
IBO	3.4	3.6	3.0	2.4	2.2
OMB	3.5	3.0	2.3	2.2	2.1
Personal Income (Dollars in Billions)					
IBO	844.6	892.5	932.2	970.5	1007.7
OMB	831.7	876.5	922.4	964.1	1007.2
Personal Income Growth					
IBO	4.6	5.7	4.4	4.1	3.8
OMB	5.2	5.4	5.2	4.5	4.5

SOURCES: IBO and OMB November 2025 economic forecasts

New York City Independent Budget Office

IBO's mission is to enhance understanding of New York City's budget, public policy, and economy through independent analysis.

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