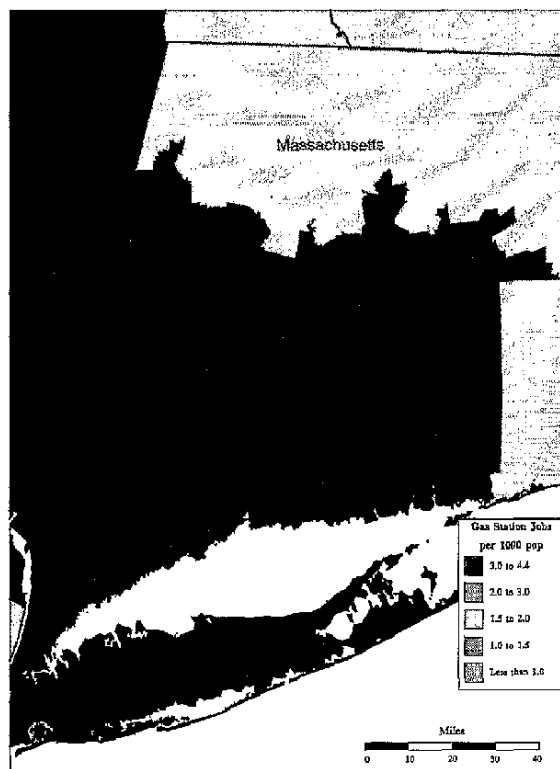
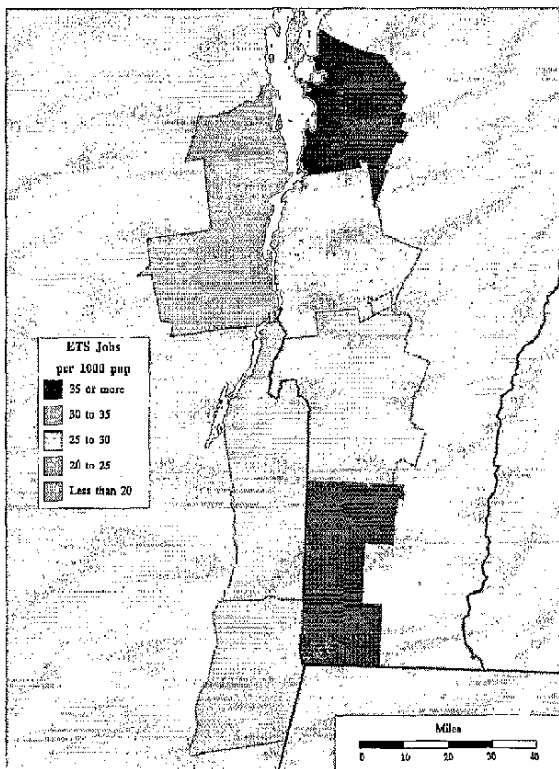
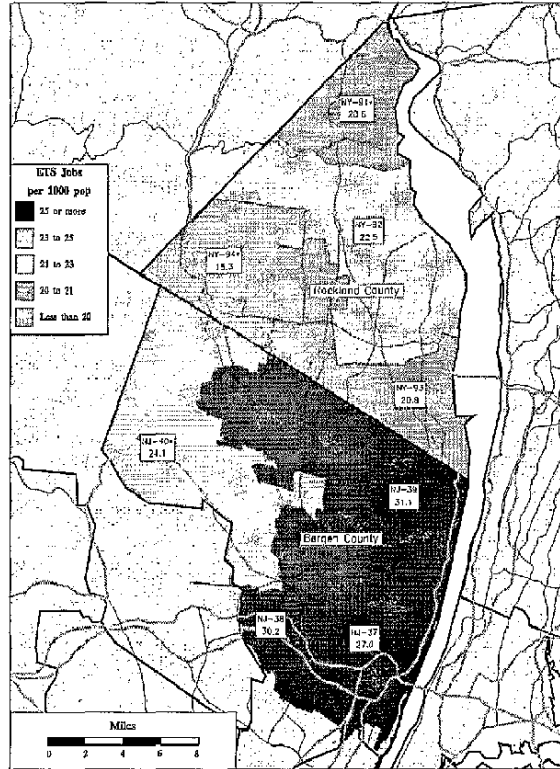
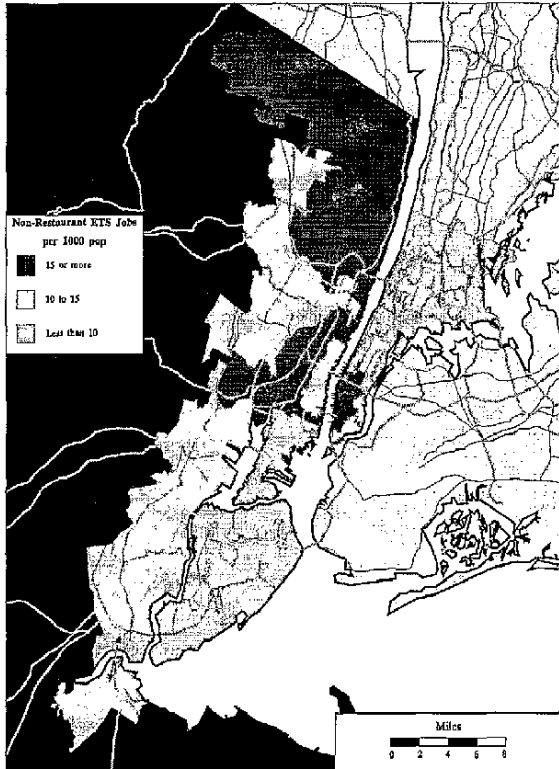


Impact of Excise Taxes on New York State and Surrounding Areas

by William Lilley III & Laurence J. DeFranco



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Impact of Excise Taxes on New York State and Surrounding Areas

This document is a summary of the following studies by William Lilley III and Laurence J. DeFranco:

- *Impact of Excise Taxes on Jobs & Businesses Along Rockland County - Bergen County Border* (Washington, D.C.:1997).
- *Impact of Excise Taxes on Jobs & Businesses Along the New York-Vermont Border* (Washington, D.C.:1997).
- *Impact of Excise Taxes on Jobs & Businesses Along the New York City - New Jersey Border* (Washington, D.C.:1997).
- *Economic Impact of Gasoline Taxes in Connecticut, Massachusetts, and New York* (Washington, D.C.:1997).

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Impact of Excise Taxes on New York State and Surrounding Areas

This is a summary of three separate studies showing how high excise taxes have disadvantaged local, cross-border economies in New York State and New York City. A fourth study shows how high gasoline taxes have disadvantaged local, cross-border economies in Connecticut and have advantaged local, cross-border economies in Massachusetts and New York.

The separate title of the studies lay out the common economic thread:

- *Impact of Excise Taxes on Jobs & Businesses along the New York City-New Jersey Border* (Washington, D.C.:1997);
- *Impact of Excise Taxes on Jobs & Businesses along the Rockland County-Bergen County Border* (Washington, D.C.:1997);
- *Impact of Excise Taxes on Jobs & Businesses along the New York-Vermont Border* (Washington, D.C.:1997);
- *Economic Impact of Gasoline Taxes in Connecticut, Massachusetts, and New York* (Washington, D.C.:1997).

The first three studies examine the cross-border impact on jobs, businesses, and sales that occurs because New York State has significantly higher excise taxes than New Jersey and Vermont. Each study uses copyrighted computer software to contrast and map the number of businesses and jobs in retail outlets in both counties and legislative districts along both sides of the borders between New York and New Jersey and between New York and Vermont. Each study uses extensive telemarketing of retail outlets on both sides of the borders to ascertain what New York residents are traveling out of state to purchase and in what volume. The fourth study uses the same methodologies to show the impact of Connecticut's high gasoline taxes on jobs and businesses along the borders of Connecticut, Massachusetts, and New York.

I—The New York City-New Jersey study finds that because New Jersey has the lower taxes, prices at the point of sale for cigarettes and gasoline are significantly less in New Jersey than in New York City. The cross-border disparity is such that a combination buy of those two products totaling \$50.86 on the New Jersey side of the border costs \$66.28 on the New York City side of the border.

This 30 percent difference in a “market basket” purchase of those two heavily-consumed, standardized items is so widely known to New York City residents that it has triggered a cascade of economic activity in New Jersey's cross-border local economies at the expense of New York City's cross-border local economies.

- There are 62 percent more “point-of-sale,” excise-tax-sensitive retail jobs in the cross-border New Jersey state legislative districts than in the cross-border New York City assembly districts.

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- There are 8.4 percent more total retail jobs in the New Jersey cross-border counties than in the New York City cross-border counties.
- There are 22 percent more total retail sales in the New Jersey cross-border counties than in the New York City cross-border counties.

II—The Rockland County-Bergen County study finds that because New Jersey has the lower taxes, prices at point of sale are significantly less for cigarettes and gasoline in Bergen County than Rockland County. The cross-border disparity is such that a combination buy of these two products totaling \$52.88 on the New Jersey side of the border costs \$64.28 on the New York side.

This 22 percent difference in a “market basket” purchase of these two heavily consumed, standardized items is so widely known on the New York side of the border that it has triggered a cascade of economic activity in the local, cross-border Bergen County economies at the expense of the cross-border, local Rockland County economies.

- There are 34 percent more excise-tax-sensitive jobs in Bergen County than in Rockland County.
- There are 29 percent more total retail jobs in Bergen County than in Rockland County.
- There are 27 percent more total retail sales per household in Bergen County than in Rockland County.

III—The New York-Vermont study finds that because Vermont has the lower taxes, prices at point of sale are significantly less for cigarettes, gasoline, alcohol and wine in Vermont than in New York. The cross-border disparity is such that a combination buy of these four products totaling \$85.19 on the Vermont side of the border costs \$112.93 on the New York side.

This 33 percent difference in a “market basket” purchase of these four heavily consumed, standardized items is so widely known on the New York side of the border that it has triggered a cascade of economic activity in the local, cross-border Vermont economies at the expense of the local, cross-border New York economies.

- There are 62 percent more excise-tax-sensitive retail jobs in the Vermont cross-border counties than in the New York cross-border counties.
- There are 60 percent more total retail jobs in the Vermont cross-border counties than in the New York cross-border counties.
- There are 36 percent more total retail sales in the Vermont cross-border counties than in the New York cross-border counties.

Each of the studies measures at numerous cross-border junctions how retail businesses have clustered disproportionately on the non-New York side of the border. Each of the studies measures what non-local consumers are buying, in what volume and how frequently. Each of the

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studies measures how the businesses selling the products with the lowest relative excise taxes moved first to the lower tax side the border and then—as consumer volume grew—acted as magnets for other retail outlets. Each of the studies uses copyrighted, computer software—in conjunction with the Dun & Bradstreet *On-Line Business Data Base*—to count the number of workers in the cross-border, retail outlets.

IV—The study of gasoline taxes finds that because Connecticut has much higher gasoline taxes than either Massachusetts or New York, gasoline prices at point of sale are 15 percent cheaper in Massachusetts and over 8 percent cheaper in New York. This cross-border price disparity has caused the following effects:

- Because the price difference is large and because it effects a heavily-consumed, standardized product, a large number of Connecticut residents living within ten to fifteen miles of either the Massachusetts or New York borders buy their gasoline in the adjacent state.
- Because so many border-area residents in Connecticut buy their gasoline out of state, there are very few gasoline stations in the local cross-border economies of Connecticut bordering Massachusetts and New York. Along some parts of Connecticut's borders, there are virtually no gas stations.
- Because of the clustering of gasoline stations across the borders of Connecticut, Massachusetts legislative districts along the Connecticut border have 77 percent more gasoline station jobs per capita than Connecticut's cross-border legislative districts and New York's cross-border legislative districts have 38 percent more gasoline station jobs per capita than Connecticut's cross-border legislative districts.

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Authors

This report was prepared by **InContext**[®] Inc., an international information company based at 1615 L Street, N.W., Suite 650, Washington, D.C. 20036 (phone 202/659-1023, fax 202/659-1109). **InContext** specializes in politico-economic analyses that take economic data (such as numbers of jobs in specific types of local businesses) and juxtapose those data with local geographic areas defined either by a political jurisdiction (such as a state assembly district or a city council district) or an economic service jurisdiction (such as a cable television franchise area, a telephone company service area, a daily newspaper service area, a local gas utility service area, a television market area, or a *Yellow Pages* market area) or a particular local/regional market area impacted by a major entertainment/sports event.

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Laurence J. DeFranco, president and co-founder of **InContext**[®] Inc., has been providing economic studies for public and private sector leaders for over fifteen years. Mr. DeFranco has co-authored many studies on the effects of economic policy on businesses. He has provided expert testimony and addressed industry leaders on telecommunications and advertising issues. He is also president of Program Flow, Inc., a research and consulting firm in McLean, Virginia. Previously, he worked for CBS Inc.

Lilley and DeFranco have recently co-authored a trilogy of books on the politics and demographics of state legislative government, all published by Congressional Quarterly Books in Washington, D.C. The several titles are: *The Almanac of State Legislatures* (1994); *The State Atlas of Political and Cultural Diversity* (1996); and *State Legislative Elections: Voting Patterns and Demographics* (1997). Lilley and DeFranco also recently published *The 1996 Almanac of Major American Sponsored Sporting Events*. A study similar to this one which Lilley and DeFranco also wrote was just published by the Federal Reserve Bank of Chicago, *Impact of Retail Taxes on the Illinois-Indiana Border* (FRBC-SL-1).

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