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How the 50 Largest American Cities Raise Revenue and What That Means for Tax Equity

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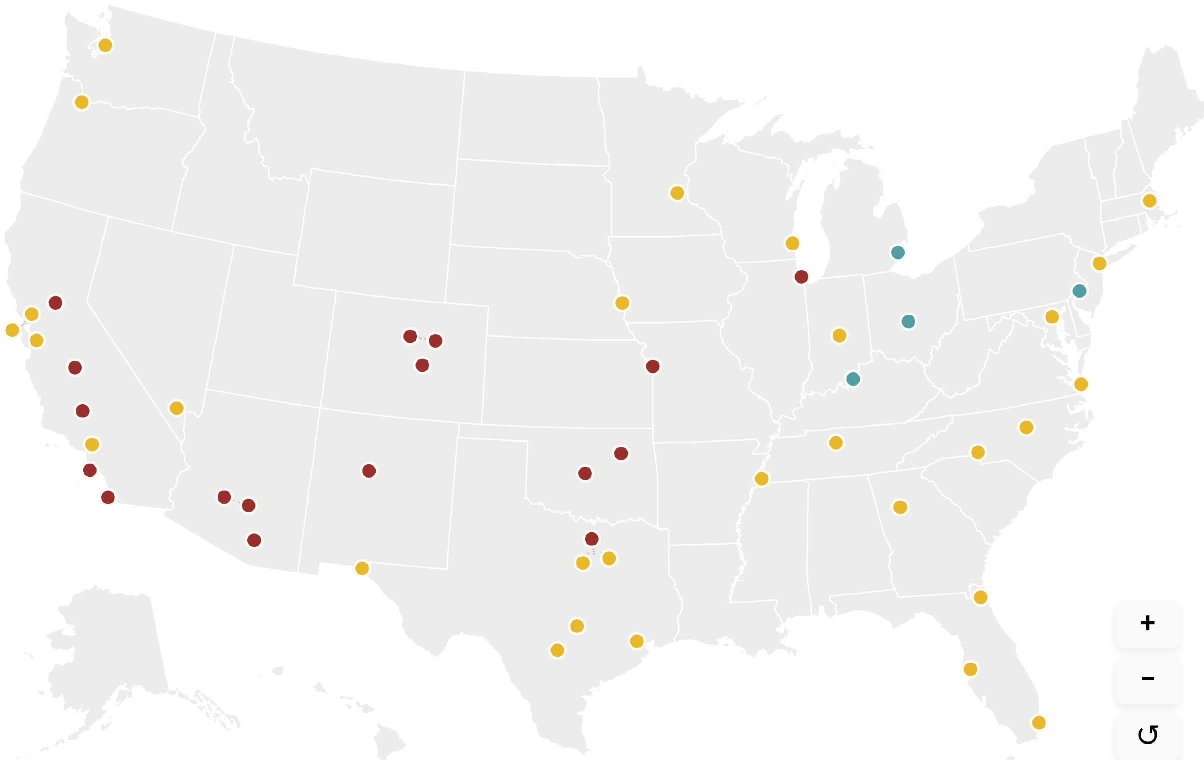
Overview

- Big cities are important drivers of the American economy, and the taxes they collect fund public services that help those communities thrive.
- While most local governments in the U.S. are largely funded by property taxes, large cities are a bit different, with more diverse revenue.
- Only about half of the nation's 50 largest cities rely mostly on property taxes. While all these cities collect at least some property tax revenue, the share varies.
- Another third of the 50 largest cities collect the bulk of their revenue from consumption taxes.
- The high reliance on property and sales taxes in these big cities results in low- and middle-income taxpayers paying a larger share of their incomes than high-income families in these places.
- By contrast, three cities collect the largest share of their revenue from income taxes, and four other cities get at least some revenue from income taxes. Income taxes tend to tax low- and middle-income families less than higher-income families, injecting progressivity into local tax codes and improving fairness for taxpayers.

Many of the largest cities in the U.S. are precluded from having as progressive a tax system as their residents would prefer, often due to state law restrictions that limit the opportunities to tax high-income and wealthy residents and businesses. If states allowed more cities to collect income taxes, they would likely do so. This analysis shows that larger cities already have more flexibility in the taxes they levy than is commonly recognized – a flexibility that local officials should utilize to design fairer tax systems.

Where America's biggest cities get their tax revenue

Markers are colored by each city's dominant local tax. Click for the full breakdown.



MARKER COLOR — DOMINANT LOCAL TAX

Property Sales Income Licenses

Hide data tables

City Tax Mix Data | State Tax Mix Data

STATE	PROPERTY TAX	SALES TAX	INCOME TAX	LICENSES
Arizona	58%	38%	0%	4%
California	69%	24%	0%	8%
Colorado	62%	35%	0%	3%
Florida	76%	18%	0%	6%
Georgia	65%	32%	0%	3%
Illinois	81%	17%	0%	2%
Indiana	69%	2%	27%	2%
Kentucky	56%	13%	30%	2%
Maryland	59%	4%	36%	2%
Massachusetts	95%	2%	0%	2%
Michigan	91%	2%	4%	2%

STATE	PROPERTY TAX	SALES TAX	INCOME TAX	LICENSES
Minnesota	92%	6%	0%	3%
Missouri	61%	30%	4%	5%
Nebraska	81%	10%	0%	9%
Nevada	50%	40%	0%	10%
New Mexico	53%	45%	0%	1%
New York	58%	19%	21%	1%
North Carolina	70%	28%	0%	3%
Ohio	64%	11%	23%	2%
Oklahoma	54%	44%	0%	2%
Oregon	76%	8%	9%	7%
Pennsylvania	71%	5%	20%	4%
Tennessee	67%	30%	0%	3%
Texas	83%	16%	0%	1%
Virginia	79%	15%	0%	5%
Washington	55%	39%	0%	6%
Wisconsin	92%	6%	0%	2%

A Tax Analysis of the Nation's 50 Largest Cities

Edward Glaeser's *Triumph of the City* called cities the greatest invention in human history.[1] Our nation's 50 largest cities have over 50 million residents; about one in every seven U.S. residents live in one of these cities.[2] On top of that, cities draw hundreds of millions of visitors each year, including commuters, tourists, and business travelers. As a result, large cities are drivers of economic growth in ways that smaller jurisdictions are not.[3]

Cities also face unique challenges: for example, they typically have more diverse economies than smaller localities, with a wider range of income levels and demographic groups residing within their borders. As such, they must grapple with how best to serve residents with a wider range of needs than more homogeneous, smaller jurisdictions.

Cities provide road maintenance, trash and sewage management, public safety, animal services, consumer protection, community development, libraries, parks, and many other public services. While some of these cities have separate tax districts for different services, cities are generally tasked with managing the day-to-day safety and needs of residents – and all of them have to figure out the best way to pay for those public services.

In a previous report, ITEP assessed the tax structures used by *all* local governments nationwide.[4] That dataset included all the nation's roughly 20,000 cities and towns, plus 3,100 counties, 13,000 independent school districts, and tens of thousands of special districts including park districts, library districts, emergency services districts, and fire districts. That report showed that nationwide, local governments are overwhelmingly funded by property taxes, with key exceptions in certain states and contexts. Indeed, property taxes are engines of local governments across most of the U.S. and thus crucial funding sources for schools, roads, parks, libraries, public safety, and other local services.

A somewhat different picture emerges if we focus only on the nation's 50 largest cities.[5] Although the pattern varies, states often allow the largest cities more ways to generate revenue than smaller jurisdictions.

Cities' more diverse economies may also allow for more diverse revenue systems. Tourists pay hotel taxes, commuters contribute to payroll taxes, and so on.

While smaller governments are certainly known to experiment, novel or experimental policies are often adopted first by larger cities. These larger cities are more able to weather legal battles, as well as to administer taxes without it costing more than the revenue it would bring in. The past decade, for example, has seen innovations such as a payroll tax on high earners in Seattle, a cloud computing tax in Chicago, and both a tax on expensive second homes and new traffic congestion fees in New York City, to name a few.[6]

Smaller cities and municipalities often look to big cities for policy ideas, tax policy included. The tax systems of big cities can influence the way that other cities raise revenue.

Taxes are not the only source of revenue that cities use to pay for services. Many city services are funded by transfers from state or federal governments and other miscellaneous sources, like property sales, receipts from publicly-owned utilities, and rents and royalties.

Such differences among cities in what services they are responsible for funding and what non-tax revenues are available complicate tax comparisons from place to place. For instance, public schools – the biggest funding responsibility for U.S. local governments – are financed and operated differently from place to place. While 41 of the 50 largest cities have separate school districts, three have school districts run by their respective counties, and just six cities – Baltimore, Boston, Louisville, Nashville, New York City, and Virginia Beach – are directly responsible for funding the school district.

To illustrate what this means, let's examine two cities with similar populations: Boston and Las Vegas.

According to the Lincoln Institute of Land Policy's Fiscally Standardized Cities database, in 2023 Boston collected twice the own-source revenue of Las Vegas per capita.[7] Boston is not part of a county that offers services directly, and the city maintains its own school district at approximately 25 percent of the city's overall budget. State aid makes up a total of 30 percent of the city's entire revenue.[8]

On the other hand, Las Vegas is part of Clark County, which operates county-level services, and the city's schools are part of the Clark County School District. Over 60 percent of Clark County Schools' revenue came from the state of Nevada.[9]

Though the two cities have similar populations, the overlapping groups of special districts, as well as differences in school funding, have a major impact on taxes collected from their own populations.

Education is one of several services provided by some cities in our study and not others. Parks, libraries, fire and emergency services, and transit services, among others, may be the purview of a city, a county, or a special-purpose district, depending on the individual city and state.

Despite those caveats, for many big-city taxpayers, it is the taxes collected by the city that are the most visible to them and the most significant to their pocketbooks. And it is cities, more than special districts, that may have the biggest opportunities to implement reforms to make their taxes fairer.

How Do the Biggest Cities Raise Revenue?

Property taxes are the largest source of revenue for over half of the 50 largest cities, but to a lesser degree than for other local governments.

Of the nation's 50 biggest cities, each gets at least some revenue from the property tax. The cities that are most reliant on property taxes include Milwaukee, Boston, Indianapolis, and Minneapolis, each of which receives more than three-fourths of its tax revenue from property taxes. Another 25 cities rely more on property tax to fund public services than all other taxes put together. Overall, the median big city receives 53 percent of its revenue from property taxes.

But property taxes are *relatively* less important for big cities than elsewhere. For comparison, among all units of local government nationwide, some 73 percent of tax revenue comes from property taxes. School districts and special districts, in particular, in most places are almost *entirely* reliant on property taxes, as are many smaller cities and towns.[10]

Nearly every big city, including most of those with high property tax reliance, is less reliant on property taxes than other municipalities in their states; for example, Boston gets 92 percent of its tax revenue from property taxes, but the average Massachusetts municipality gets 95 percent.

High reliance on property taxes has pros and cons. Low- and middle-income residents tend to pay a higher share of their income in property taxes than their wealthier neighbors. And local property taxes can be subject to state-mandated exemptions and caps, often making it harder for cities to finance public services over time.

Property taxes nonetheless remain an important tool for local governments of all sizes. They are paid by both residents and businesses, so they are less regressive than consumption taxes, which are most harmful to low-income families. Property taxes are also a more stable source of revenue than many other tax options.[11]

Consumption taxes, even though they are highly regressive, are the second-largest source of city revenue overall.

General sales taxes, combined with gross receipts taxes and excise taxes on specific items like alcohol and tobacco, provide three-fourths of tax revenue in four cities – Colorado Springs, Tulsa, Tucson, and Oklahoma City – and the majority of tax revenue in 11 others.

Local reliance on consumption taxes – which take a much larger share of income from lower-income than from higher-income households — is largely driven by state law. Oklahoma sharply restricts how cities are allowed to use property taxes – only for repaying municipal bonds and other long-term obligations – which helps explain why Tulsa and Oklahoma City get so much of their revenue from consumption taxes. Other localities in Oklahoma, like counties and school districts, rely more on property taxes.[12]

Similarly, the presence of four California cities and three Colorado cities among the 15 most reliant on sales taxes reflects those states' property tax restrictions, which have led cities in those states to rely on voter-approved ballot referenda to raise sales taxes, as well as on other types of non-property tax revenues.[13]

Cities across the country deal with political pressures to keep property taxes low, leading to the adoption of sales taxes and frequent rate increases in states like North Carolina.[14] Cities like New York and Chicago have created independent corporations to pay back municipal bond debt using non-property tax revenue, incentivizing those cities to maintain or even increase sales tax or income tax revenues.[15]

By contrast, 11 cities receive less than one-fifth of their tax revenue from consumption taxes, and one city, Milwaukee, received none in 2022, as state law did not allow a sales tax at the time.

Income taxes are important in a few cities, but generally an underutilized and overlooked source of progressive local revenues.

Seven big cities have income or wage taxes. These taxes provide almost all the tax revenue to the city of Columbus, more than half to Louisville and Philadelphia, and roughly one-quarter to one-third in Baltimore, Detroit, Kansas City, and New York City.

Local income taxes vary in their progressivity depending on their rate structures, whether they are levied on just wages or also investment income, and other design elements. New York City has a progressive income tax, but it can only be modified by the New York statehouse. Philadelphia's taxes on wages and investment income are limited by the state's uniformity clauses.

Compared with property and consumption taxes, however, they are much more fairly targeted to residents' ability to pay.[16] The major constraint is statutory: As with consumption taxes, state law largely determines whether income taxes are available to local governments.

In a few cities, no one source of revenue predominates.

In Long Beach, Los Angeles, and Seattle, no one type of tax accounts for more than 50 percent of revenues. These cities rely heavily on license taxes, which are typically taxes levied on businesses based on their payroll, gross receipts, or other factors.

Some taxes are hard to categorize, sometimes deliberately so. Seattle's JumpStart payroll tax has been interpreted by the Washington courts system as an excise tax rather than an income tax, which would otherwise be unconstitutional in the state.[17]

Fines and fees are not the major source of revenue for any city, but some places seem overly reliant on these highly regressive revenues.

Though fines and fees are only a very small slice of overall revenues in most cities, relying on this income is another regressive way to collect revenue from those least able to afford it. While it is crucial for cities to be able to enforce their own laws, depending on revenues derived from fines and fees overly burdens the families least able to pay those fees.

Only two cities, Chicago and Las Vegas, collect fines and fees equal to more than 5 percent of city own-source revenues. Late fees, collection fees, and other post-violation costs worsen the problem, and are most often borne only by those who could not afford the original fine in the first place. Reforms like income-based fee structures, payment plans, or other forms of repayment assistance can more adequately match the ability of residents to pay back fines and fees, while also acting as a deterrent for illegal behavior.

Conclusion

While all local governments should strive to create more equitable tax systems, large cities have a responsibility to light the way forward. Large cities have the technical capacity, the economic base, and often more political might than smaller localities and governments to create a more progressive tax system for their residents. When our cities work for everybody and not just the richest, we can empower residents, invest in our communities, and grow our economy.

Methodology

Data used in this resource are from ITEP analysis of the U.S. Census Bureau's 2022 Census of Governments survey, the most recent year with published results from the full survey. The data in this report come from the U.S. Census Bureau, which collected the data directly from 49 of these 50 cities.[18] This direct collection ensures a high level of accuracy often missing in the broader universe of Census local governments data, which is often imputed based on older surveys adjusted for inflation and population growth.

Where appropriate and necessary to improve accuracy, we augmented Census data with information from financial reports of local governments. Taxes adopted by cities after 2022, including a newly enacted Milwaukee sales tax and a Chicago social media tax, are not reflected in this report.

Property taxes are defined to include ad valorem real estate and intangible property taxes; documentary and transfer taxes; estate, inheritance, and gift taxes; and motor vehicle license taxes. Consumption taxes include general sales and gross receipts taxes and selective sales and excise taxes. Income taxes are defined to include personal income taxes, payroll taxes, and business net income taxes. Licenses and other taxes include corporation and occupation license taxes; resource severance taxes; and other taxes.

Fines and fees aren't taxes but are provided here as a point of information. They are presented as a percentage of the sum of taxes plus fines and fees.

The Census of Governments uses strict categories for tax types that can obscure some taxes. For instance, hotel taxes are not separately reported from general sales taxes. On the other hand, revenues that have shrunk in importance, such as parimutuels, are still reported as unique line items. As such, this dataset does not allow for the modernization of local tax codes and diversification into economic activity that did not exist in prior eras. In addition, this self-reported data may have been corrected by local governments after financial reports like annual comprehensive financial reports (ACFRs) were published, which may lead to gaps between our data and individual cities' financial statements.

Endnotes

1. Edward Glaeser. Triumph of the City: How Our Greatest Invention Makes Us Richer, Smarter, Greener, Healthier, and Happier. Penguin Books, 2011.
2. Calculations based on 2024 ACS estimates. The Census classifies urban areas as areas within a metropolitan region; using the Census Bureau's classification, 80 percent of US residents live in an urban area, including urban and suburban residents.
3. Craig L. Johnson, Temirlan T. Moldogaziev, and Justin M. Ross, eds. Research Handbook on City and Municipal Finance. Edward Elgar Publishing, 2023.
4. https://itep.org/how-local-governments-raise-revenue-2024/
5. ITEP considers Washington, D.C. a state for the purposes of tax issues and is excluded from this analysis. The city is the 22nd largest in the country by population according to the 2024 ACS. As a result, we also include the nation's 51st largest city – Aurora, Colorado.
6. New York City's traffic congestion fee is technically levied not by the city itself but by a regional agency, the Metropolitan Transportation Authority.
7. Lincoln Institute of Land Policy. "Fiscally Standardized Cities." Current through 2023, accessed Apr. 30, 2026. https://www.lincolninst.edu/data/fiscally-standardized-cities/

8. City of Boston. "FY26 Operating Budget." Last updated Oct. 30, 2025. https://www.boston.gov/departments/budget/fy26-operating-budget

9. Fiscal Analysis Division of the Nevada Legislative Counsel Bureau. "An Overview of the Nevada Pupil-Centered Funding Plan for School Finance: Fiscal Years 2023-24 and 2024-25." January 2025. https://www.leg.state.nv.us/division/fiscal/K-12Education/PupilCentered/PupilCentered2025.pdf

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15. "Transitional Finance Authority." New York City website, accessed Apr. 24, 2026. https://www.nyc.gov/site/transitionalfinance/index.page; "Investor Relations Site." Sales Tax Securitization Corporation, Accessed Apr. 24, 2026. https://www.salestaxsecuritizationcorporation.com/stsc-il/i3228; Yvette Shields. "Chicago faces skeptics as it advances securitization plans." The Bond Buyer, updated Jul. 28, 2020. https://www.bondbuyer.com/news/chicagos-sales-tax-securitization-bond-program-is-up-for-council-vote-wednesday

16. https://itep.org/the-mostly-untapped-power-of-local-income-taxes/

17. "JumpStart, Seattle tax on big businesses, upheld by state appeals court." KOMO News, updated Jun. 1, 2022. https://komonews.com/news/politics/jumpstart-seattle-tax-on-big-businesses-upheld-by-state-appeals-court

18. Indianapolis did not report data to the Census of Governments, and the survey reflects imputed values.