

Sales Tax Growth Strengthens for a Third Year: 2018 Collections Up 5.3 Percent

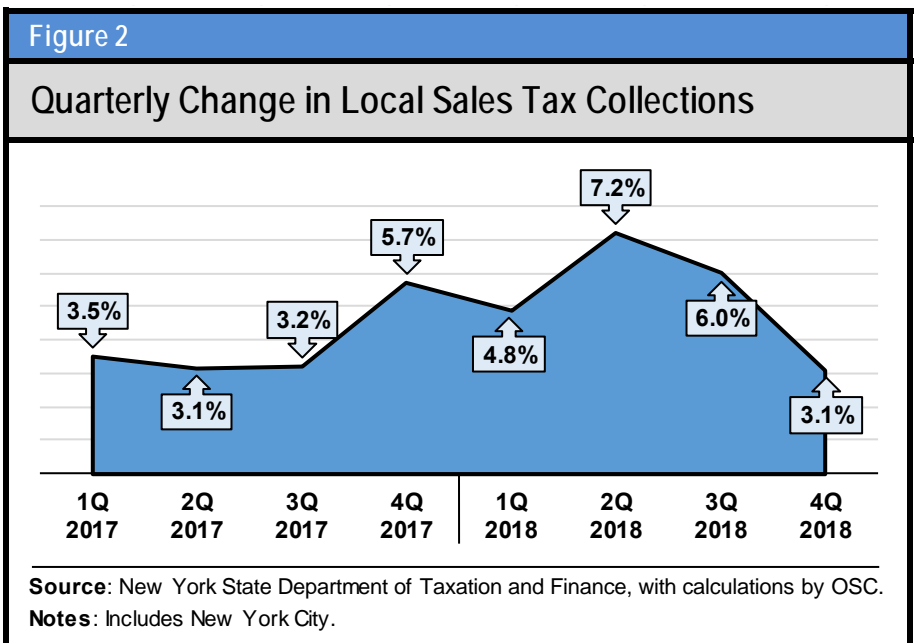
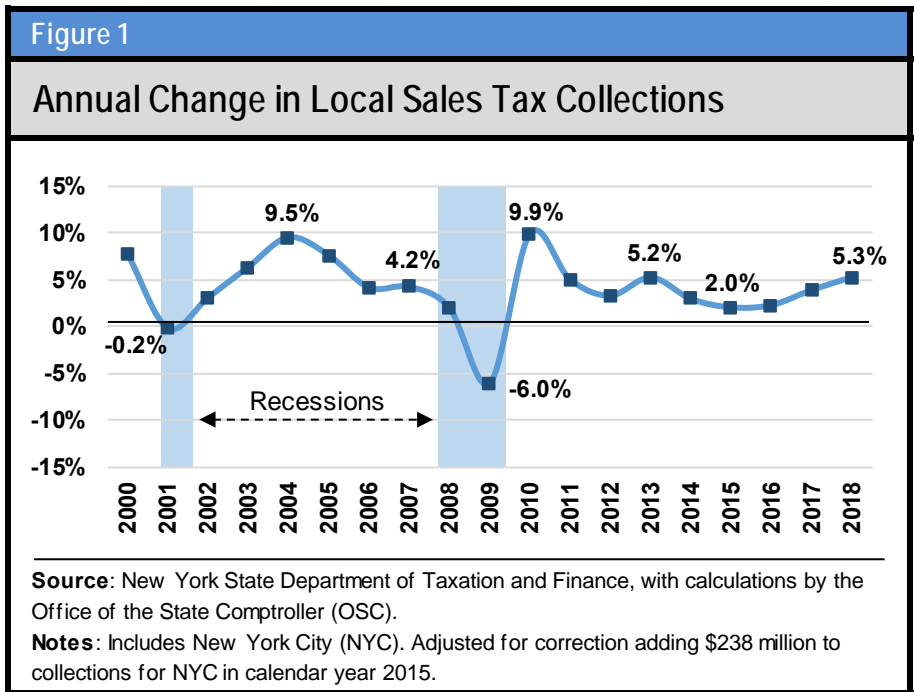
Statewide Trends

Local sales tax collections in New York State amounted to \$17.5 billion in 2018, a 5.3 percent increase over the previous calendar year and the third consecutive year that growth in collections improved.¹ (See Figure 1.)

Growth was strongest in the second quarter, which had a year-over-year increase of 7.2 percent. The 3.1 percent increase in the fourth quarter was slow by comparison. (See Figure 2.)

Regional Trends

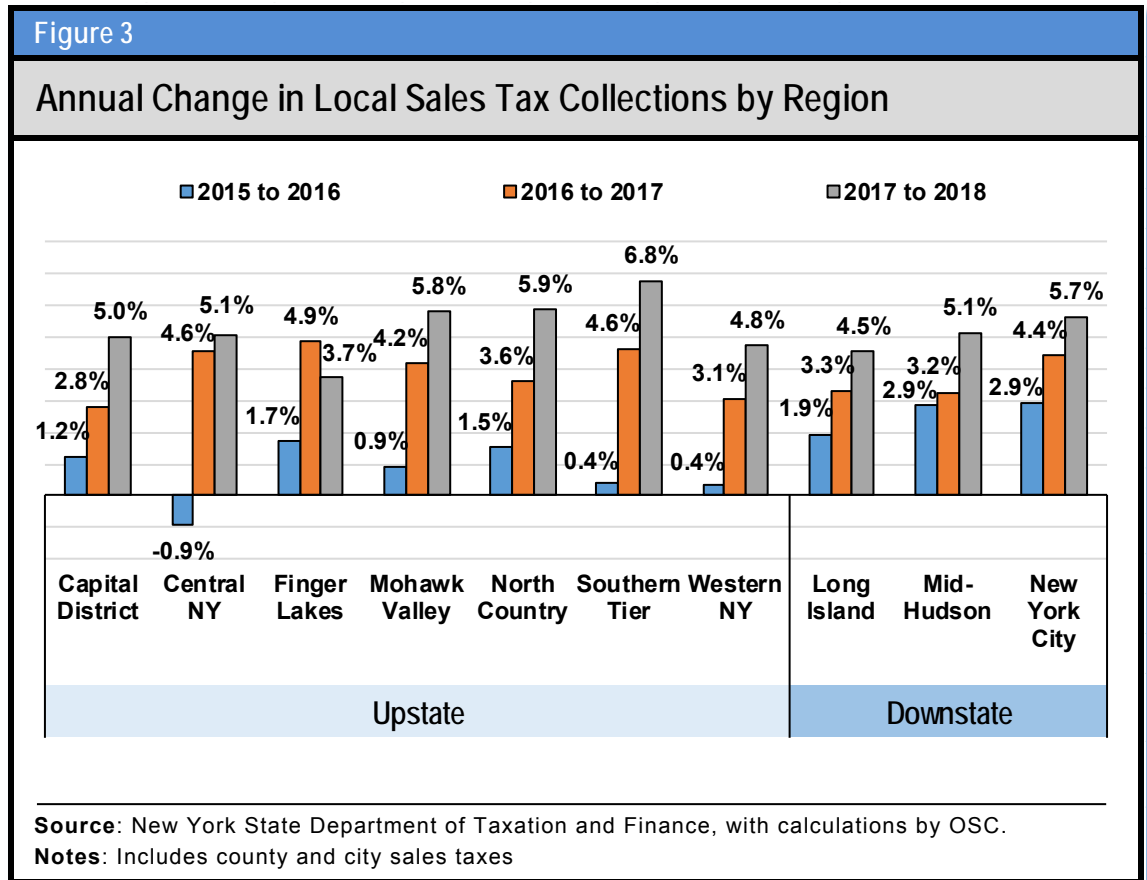
This strengthening trend appears statewide: every region's annual growth rate increased in each of the last three years, with the exception of the Finger Lakes, which slowed from 4.9 percent in 2017 to 3.7 percent in 2018. However, year-over-year growth has been particularly noticeable in the other upstate regions, especially the Southern Tier and Central New York. (See Figure 3.)



Robust annual growth occurred in several upstate regions in 2018. The Southern Tier experienced the highest year-over-year increase at 6.8 percent (its strongest since 2011), thanks in part to impressive second- and third-quarter collections. The North Country had the second highest rate at 5.9 percent, followed by the Mohawk Valley at 5.8 percent.

New York City's sales tax collections grew by 5.7 percent.

The City's increases have been generally strong over the past several years, even during years when upstate regions experienced flat or declining collections, and this year's performance is stronger still. The other downstate regions – Long Island and Mid-Hudson – had increases of 4.5 percent and 5.1 percent, respectively.



Factors and Influences

Certain economic factors may be contributing to this improvement. In 2018, there were more than 62,000 additional New York residents employed compared to 2017, and total wages for the first two quarters increased by nearly 5.7 percent compared to the same period in the prior year.² Consumer confidence has remained high and consumer spending has been mostly steady throughout the year, while national inflation for goods and services reached 2.4 percent, which was up slightly from the previous year (2.1 percent) and the highest it has been since 2011.³

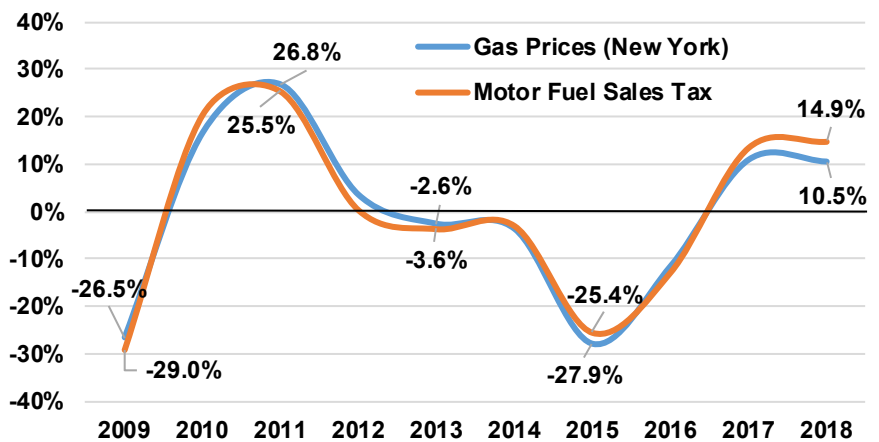
Motor Fuel Sales

One major component of local sales tax revenue is the portion collected from the sale of motor fuel. Particularly in upstate regions, variations in motor fuel prices and usage can have a major impact on overall collections growth.

Historically, annual growth (or decline) in gas prices and motor fuel sales tax collections are usually aligned. (See Figure 4.) However, when gas prices rose by 10.9 percent in 2017, collections from motor fuel sales rose 13.6 percent. In 2018, prices grew less (10.5 percent) than the previous year, while the tax collected from this component grew even more strongly at 14.9 percent. Some of this surge may be due to changing patterns in cross-border sales. For example, neighboring Pennsylvania has raised its gasoline tax to be higher than New York's.⁴

Figure 4

Year-Over-Year Change in New York State Gas Prices and Motor Fuel Sales Tax Collections



Sources: New York State Department of Taxation and Finance, Office of Tax Policy Analysis; United States Department of Energy, Energy Information Administration, with calculations by OSC.

Notes: Includes New York City. Yearly gas price changes are based on an average of monthly prices.

Outlook: Internet Sales

The U.S. Supreme Court's June 2018 ruling in the *South Dakota v. Wayfair* case gives states the ability to require online retailers to collect and remit sales taxes on goods and services regardless of whether they have a physical presence in the state.⁵ Now that the new standard has been determined, the New York State Department of Taxation and Finance has issued a notification that businesses with a certain volume of sales to purchasers in New York are required to collect and remit sales tax on those sales.⁶ In addition, the State Fiscal Year (SFY) 2019-20 Executive Budget contains a proposal to require online marketplaces to collect taxes on behalf of out-of-State retailers for which they facilitate sales transactions, unless the retailer can prove that it is already collecting the tax independently. The Executive Budget Financial Plan estimates that, starting in SFY 2020-21, the enforcement of the *Wayfair* decision will generate \$110 million in additional revenues for local governments annually (\$14 million for local fiscal years ending in 2019.)⁷

County Collections

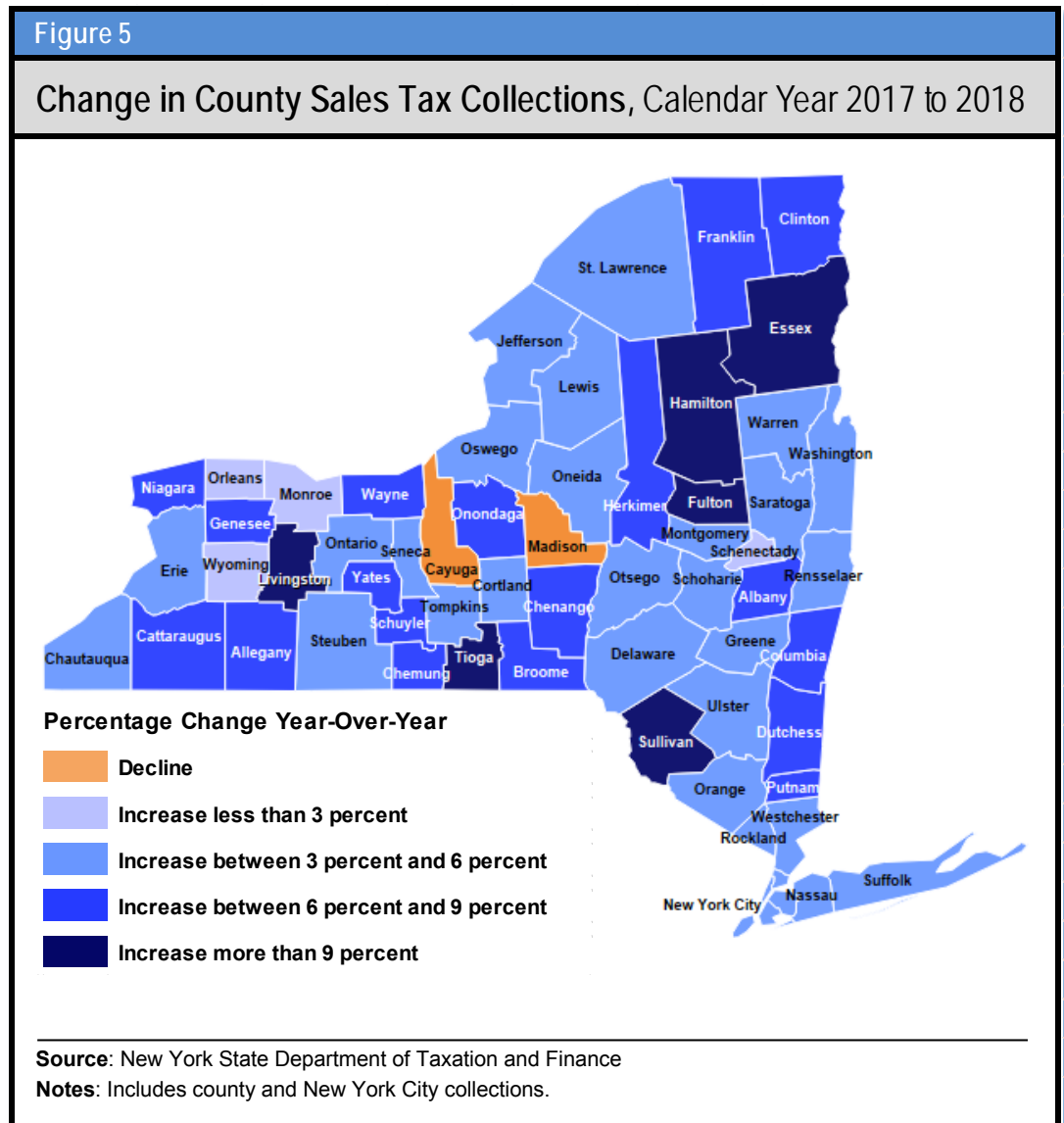
Local sales tax collections between 2017 and 2018 grew in 55 of the 57 counties outside of New York City. Sullivan County experienced the strongest increase at 16.4 percent, while Tioga and Hamilton counties each saw their collections grow by 16.1 percent. (See Figure 5.)

In addition to the broad trends discussed above, certain regional or local economic factors may also affect sales tax collections. For example, all counties bordering Pennsylvania had higher growth rates in motor fuel sales tax collections than the State as a whole.

Technical adjustments made by the Department of Taxation and Finance to correct for errors in a

county's prior period distributions can also affect growth rates.⁸ The impact of these can be amplified in less populated counties, where a modest shift in dollar amounts can result in large percentage changes. For example, Hamilton County had technical adjustments of nearly \$135,000 in April and \$110,000 in June, which contributed to its strong growth in overall collections for 2018. Meanwhile, Tioga County's annual collections were boosted by a large technical adjustment of \$337,675 in August.

Collections were down in 2018 for both Cayuga (-1.3 percent) and Madison (-0.7 percent) counties. Cayuga County's collections grew in the second half of the year, but the increase was not enough to offset declines in the first half that were mostly due to technical adjustments. In Madison County, a technical adjustment of nearly \$1.6 million in November resulted in a decline in overall collections for the year. (For a list of county and city sales tax collections, see Appendix on page 7.)



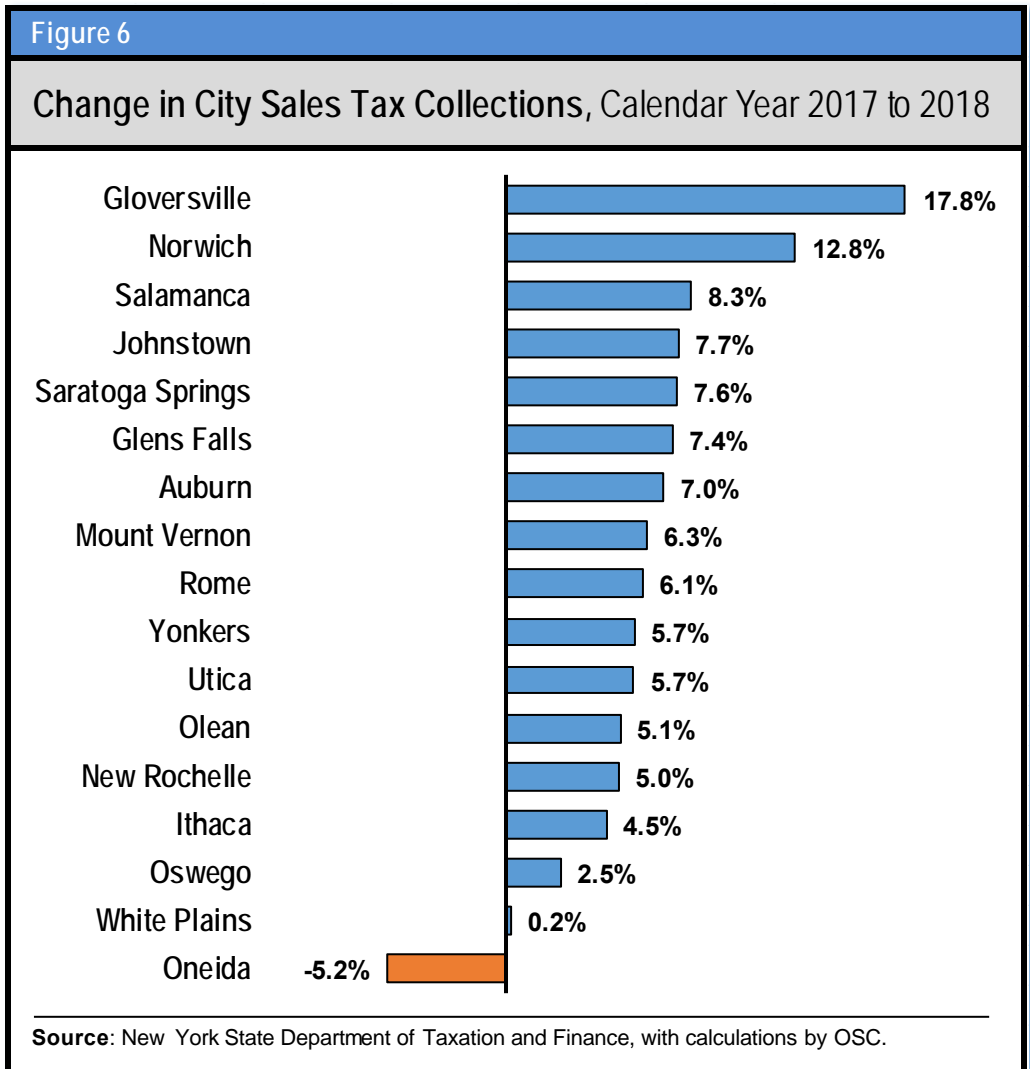
City Collections

Seventeen of the State's sixty-one cities aside from New York City impose their own general sales tax on goods and services. The others receive a portion of their counties' collections.⁹

Most cities' total sales tax collections are relatively small, which means they are susceptible to greater percentage variances, especially when factoring in any technical adjustments.

All but one of the cities with its own sales tax experienced an increase in year-over-year collections in 2018. The City of Gloversville saw the strongest growth at 17.8 percent. The cities of Norwich and Salamanca also had strong growth at 12.8 percent and 8.3 percent, respectively. Oneida was the only city that saw its collections decrease (5.2

percent) from the same period last year, but this was mostly due to two large technical adjustments of nearly \$110,000 each, in January and March 2018. (See Figure 6.)



Per Capita Collections

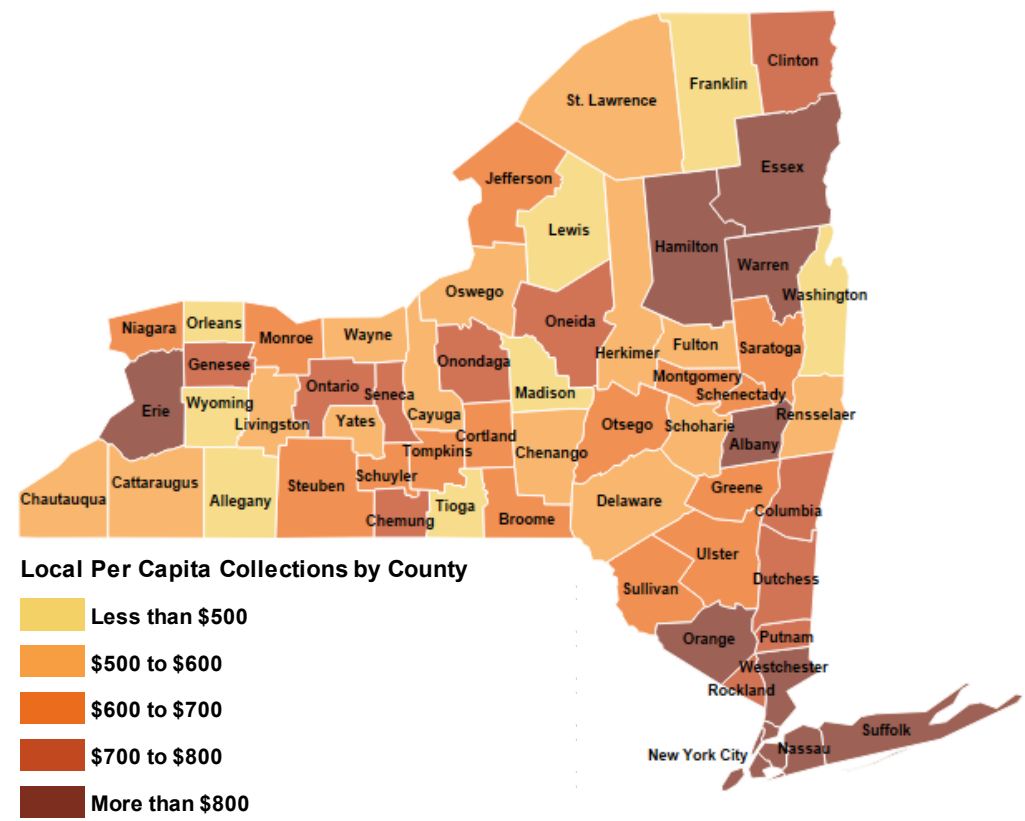
For 2018, local sales tax collections per capita in New York State were \$876, an increase of \$44 from 2017.¹⁰

The highest per capita collections were downstate – in Suffolk County (\$1,055), New York City (\$988) and Nassau County (\$957). However, per capita collections were also quite high in Hamilton (\$932), Warren (\$903) and Albany (\$889) counties. Conversely, Washington County's per capita amount of \$329 was the lowest in the State. (See Figure 7.)

Many factors affect the variation of local per capita collections throughout New York. Although economic activity and total sales are major elements, another factor is the difference in local and regional sales tax rates. New York City and seven surrounding counties are subject to an additional rate that supports the Metropolitan Commuter Transportation District, generally pushing the total State and local rate substantially over the 8 percent that is typical in the rest of New York.¹¹ Erie and Oneida counties also have higher rates.¹² Tourism, commuting or the concentration of retail centers can increase per capita collections as well, as some of those purchasing products are not in the population base. This is especially true in major destinations like New York City or places with otherwise small populations, such as Hamilton County. The tax base and type of sales typical in an area may also have an effect: for example, New York City offers a great deal of high-end retail shopping and taxes a number of services that are not generally taxed elsewhere.¹³

Figure 7

Sales Tax Collections Per Capita by County, Calendar Year 2018



Sources: New York State Department of Taxation and Finance; United States Census Bureau, 2017 Population Estimates.

Notes: Includes county and city collections, and the total revenue collected in certain counties and New York City on behalf of the Metropolitan Commuter Transportation District. For a list of the sales tax rates by local taxing jurisdiction, see:

www.tax.ny.gov/pubs_and_bulls/publications/sales/rates_by_local_jurisdiction.htm.

Appendix: Sales Tax Collections by Region, 2017 and 2018

Region	City/County	2017	2018	Year-Over-Year Percentage Change
Capital District		\$721,421,786	\$757,651,091	5.02%
Albany	County	\$259,089,349	\$275,109,796	6.18%
Columbia	County	\$39,744,282	\$43,098,930	8.44%
Greene	County	\$31,270,161	\$32,729,482	4.67%
Rensselaer	County	\$83,760,728	\$88,428,881	5.57%
Saratoga	County	\$119,607,928	\$125,341,933	4.79%
<i>Saratoga Springs</i>	City	\$11,819,003	\$12,720,821	7.63%
Schenectady	County	\$101,514,960	\$101,627,810	0.11%
Warren	County	\$52,154,551	\$55,015,895	5.49%
<i>Glens Falls</i>	City	\$3,058,396	\$3,285,621	7.43%
Washington	County	\$19,402,428	\$20,291,922	4.58%
Central New York		\$509,500,695	\$535,237,889	5.05%
Cayuga	County	\$37,361,120	\$36,874,236	-1.30%
<i>Auburn</i>	City	\$8,640,012	\$9,248,855	7.05%
Cortland	County	\$28,888,610	\$29,814,166	3.20%
Madison	County	\$29,320,571	\$29,123,688	-0.67%
<i>Oneida</i>	City	\$4,696,747	\$4,451,482	-5.22%
Onondaga	County	\$340,470,248	\$363,657,366	6.81%
Oswego	County	\$45,888,892	\$47,471,985	3.45%
<i>Oswego</i>	City	\$14,244,454	\$14,593,989	2.45%
Finger Lakes		\$758,494,124	\$786,632,113	3.71%
Genesee	County	\$38,683,226	\$42,163,430	9.00%
Livingston	County	\$31,880,449	\$34,788,736	9.12%
Monroe	County	\$492,221,356	\$503,950,686	2.38%
Ontario	County	\$81,446,602	\$85,781,565	5.32%
Orleans	County	\$16,273,192	\$16,748,806	2.92%
Seneca	County	\$25,162,068	\$25,984,725	3.27%
Wayne	County	\$42,771,432	\$45,884,370	7.28%
Wyoming	County	\$18,262,292	\$18,592,593	1.81%
Yates	County	\$11,789,717	\$12,731,996	7.99%
Long Island		\$2,545,505,179	\$2,661,094,583	4.54%
Nassau	County	\$1,159,400,449	\$1,201,082,161	3.60%
Suffolk	County	\$1,383,711,455	\$1,457,518,262	5.33%
Mid-Hudson		\$1,601,515,913	\$1,683,854,235	5.14%
Dutchess	County	\$183,017,826	\$197,426,483	7.87%
Orange	County	\$279,646,700	\$289,627,123	3.57%
Putnam	County	\$58,791,988	\$63,145,092	7.40%
Rockland	County	\$209,114,362	\$218,516,610	4.50%
Sullivan	County	\$39,885,982	\$46,428,015	16.40%
Ulster	County	\$115,647,272	\$120,049,605	3.81%
Westchester	County	\$525,513,104	\$550,562,482	4.77%
<i>Mount Vernon</i>	City	\$20,264,450	\$21,539,958	6.29%
<i>New Rochelle</i>	City	\$28,226,380	\$29,648,376	5.04%
<i>White Plains</i>	City	\$49,244,843	\$49,367,479	0.25%
<i>Yonkers</i>	City	\$90,927,596	\$96,132,114	5.72%

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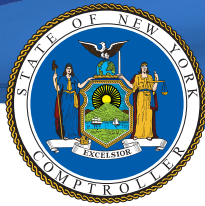
Region	City/County	2017	2018	Year-Over-Year Percentage Change
Mohawk Valley		\$261,675,204	\$276,893,676	5.82%
Fulton	County	\$20,673,463	\$22,626,580	9.45%
<i>Gloversville</i>	City	\$3,433,003	\$4,043,099	17.77%
<i>Johnstown</i>	City	\$3,792,939	\$4,085,218	7.71%
Hamilton	County	\$3,601,307	\$4,181,388	16.11%
Herkimer	County	\$30,643,090	\$32,497,455	6.05%
Montgomery	County	\$29,450,192	\$30,811,840	4.62%
Oneida	County	\$137,035,450	\$143,972,635	5.06%
<i>Rome</i>	City	\$7,504,262	\$7,961,861	6.10%
<i>Utica</i>	City	\$10,075,034	\$10,650,255	5.71%
Schoharie	County	\$15,466,317	\$16,063,201	3.86%
North Country		\$248,104,873	\$262,696,907	5.88%
Clinton	County	\$53,467,799	\$56,909,095	6.44%
Essex	County	\$28,818,498	\$31,811,712	10.39%
Franklin	County	\$22,171,850	\$23,792,142	7.31%
Jefferson	County	\$75,086,503	\$78,658,684	4.76%
Lewis	County	\$11,889,306	\$12,489,548	5.05%
St. Lawrence	County	\$56,670,890	\$59,035,722	4.17%
Southern Tier		\$415,960,513	\$444,177,468	6.78%
Broome	County	\$126,366,075	\$135,218,298	7.01%
Chemung	County	\$57,180,048	\$61,064,126	6.79%
Chenango	County	\$22,464,640	\$24,201,702	7.73%
<i>Norwich</i>	City	\$1,469,460	\$1,658,063	12.83%
Delaware	County	\$21,819,240	\$22,729,715	4.17%
Otsego	County	\$36,997,706	\$39,001,024	5.41%
Schuyler	County	\$10,704,705	\$11,445,898	6.92%
Steuben	County	\$55,360,189	\$58,611,391	5.87%
Tioga	County	\$20,870,588	\$24,240,238	16.15%
Tompkins	County	\$51,237,574	\$54,150,488	5.69%
<i>Ithaca</i>	City	\$11,452,021	\$11,966,317	4.49%
Western New York		\$1,017,751,086	\$1,066,102,206	4.75%
Allegany	County	\$19,794,121	\$21,442,830	8.33%
<i>Olean</i>	City	\$4,170,606	\$4,383,244	5.10%
<i>Salamanca</i>	City	\$637,294	\$689,929	8.26%
Cattaraugus	County	\$36,438,117	\$38,652,830	6.08%
Chautauqua	County	\$64,134,040	\$67,543,461	5.32%
Erie	County	\$764,080,389	\$797,191,558	4.33%
Niagara	County	\$118,105,012	\$125,873,736	6.58%
New York City		\$7,419,054,304	\$7,838,561,375	5.65%
Other Local		\$1,097,138,318	\$1,155,345,054	5.31%
Statewide Total		\$16,596,121,994	\$17,468,246,597	5.25%

Source: New York State Department of Taxation and Finance, with calculations by OSC.

Notes: Other Local includes sales taxes collected on behalf of the New York Convention Center Development Corporation, Mass Transportation Operating Assistance Fund, Metropolitan Transit Authority Aid Trust Account and local school districts. Regional totals do not include taxes collected for these purposes, but do include cities that have a segmented sales tax.

Notes

- ¹ Unless otherwise noted, all sales tax collections data in this report are taken from the New York State Department of Taxation and Finance's AS570 reports. The AS570 reports distributions, which are called collections in this report. The rates shown in Figure 1 have been adjusted for a major multiyear technical correction to New York City's collections in 2015. For a more thorough discussion of this adjustment, see the Office of the New York State Comptroller, *2016 Local Sales Tax Collections*, January 31, 2017, www.osc.state.ny.us/reports/economic/2016-local-sales-tax-collections.pdf.
- ² New York State Department of Labor, *Local Area Unemployment Statistics Program and Quarterly Census of Employment and Wages, Total All Industries*, accessed on January 23, 2019, www.labor.ny.gov/stats/index.shtm.
- ³ Federal Reserve District, *The Beige Book*, December 2018, www.federalreserve.gov/monetarypolicy/beige-book-default.htm; United States Department of Labor, Bureau of Labor Statistics, *Consumer Price Index*, accessed on January 15, 2019, www.bls.gov/cpi/tables/supplemental-files/home.htm.
- ⁴ Katherine Loughhead, "State Gasoline Tax Rates as of July 2018," *Tax Foundation*, August 8, 2018, www.taxfoundation.org/state-gas-tax-rates-july-2018/.
- ⁵ *South Dakota v. Wayfair*, 201 L. Ed. 2d 403, 2018 U.S. LEXIS 3835. For more information on the potential impact of this decision, see Office of the New York State Comptroller, *First Half 2018 Local Sales Tax Collections*, August 1, 2018, www.osc.state.ny.us/localgov/pubs/research/first-half-2018-local-sales-tax-collections.pdf.
- ⁶ New York State Department of Taxation and Finance, *Registration Requirement for Businesses with No Physical Presence in New York State*, www.tax.ny.gov/pubs_and_bulls/publications/sales/nexus.htm.
- ⁷ New York State Division of the Budget, *FY 2020 Executive Budget Financial Plan*, p. 145, www.budget.ny.gov/pubs/archive/fy20/exec/fp/fy20fp-ex.pdf.
- ⁸ As used in this report, the term "technical adjustments" refers to any of a number of collection or distribution corrections made by the Department of Taxation and Finance that are not related to current economic activity, such as late filings or errors caught on later audit. See Department of Taxation and Finance, *AS310 – Quarterly Cash and Collection Distributions with Variances for Assessments, Late-Filed Returns, Rate Adjustments and Prior Period Adjustments*, www.tax.ny.gov/research/stats/statistics/sales_tax/government/as310.htm.
- ⁹ Five cities that receive a share of county sales tax collections also impose their own limited sales tax on consumer utilities or hotel occupancy. For a discussion of sales tax pre-emption by cities and segmented sales taxes, see Office of the New York State Comptroller, *Local Government Sales Taxes in New York State: 2015 Update*, March 2015, p. 6, www.osc.state.ny.us/localgov/pubs/research/salestax2015.pdf.
- ¹⁰ This amount does not include the State's share of the sales tax collected for 2018. However, local per capita collections include the total revenue collected in certain counties and in New York City on behalf of the Metropolitan Commuter Transportation District. A per capita amount of \$79 is applied to each affected local taxing jurisdiction.
- ¹¹ The seven counties located within the Metropolitan Commuter Transportation District (along with the five boroughs of New York City) are Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester.
- ¹² For a list of local sales and use tax rates by jurisdiction, see www.tax.ny.gov/pdf/publications/sales/pub718.pdf; For more details, including enactment and effective dates, see www.tax.ny.gov/pdf/publications/sales/pub718a.pdf.
- ¹³ For more information on the types of taxable goods and services in New York City, see www1.nyc.gov/site/finance/taxes/business-nys-sales-tax.page.



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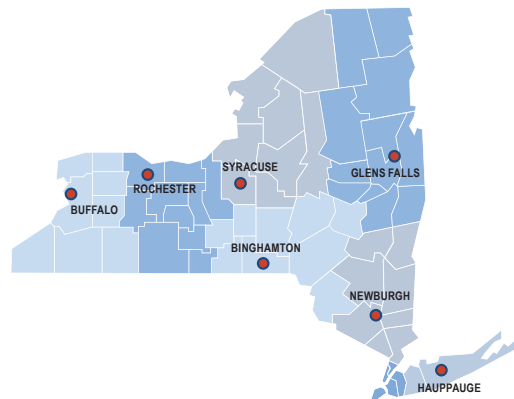
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