

First Half of 2018: Highest Growth in Local Sales Tax Collections in Almost Eight Years

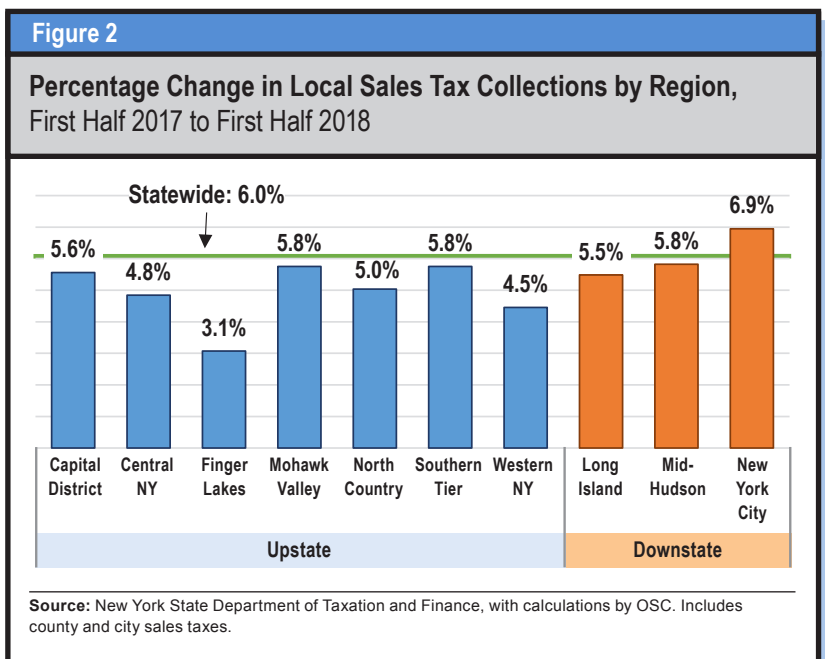
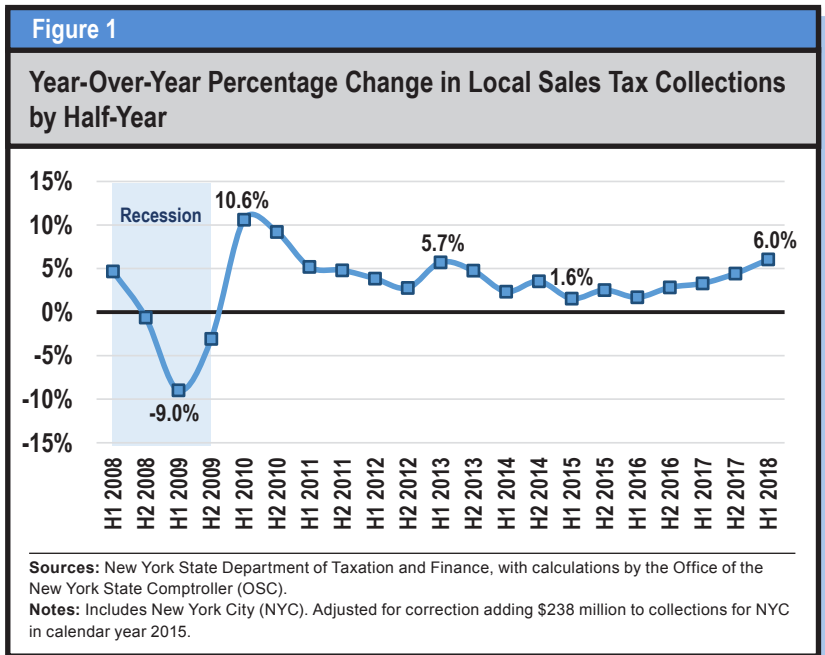
Statewide Trends

Local sales tax collections in New York State for the first half of 2018 were \$8.5 billion, a 6.0 percent increase over the same period last year. This was the highest half-year increase since 2010 and the fourth consecutive period of strengthening local sales tax collections.¹ (See Figure 1.)

Regional Trends

In the first half of 2018, sales tax collections grew in every region of the State compared to the first half of 2017. Growth was stronger than in the first half of the previous year in all regions except in the Finger Lakes, where it slowed from 4.0 percent to 3.1 percent.

New York City experienced the strongest growth at 6.9 percent, its highest year-over-year increase since the first half of 2013. Growth was also particularly strong in the Mid-Hudson, Mohawk Valley and Southern Tier regions, which each had increases of 5.8 percent. Collections in the Central New York, Finger Lakes and Western New York regions all grew more slowly in comparison, albeit still at a moderate pace. (See Figure 2.)



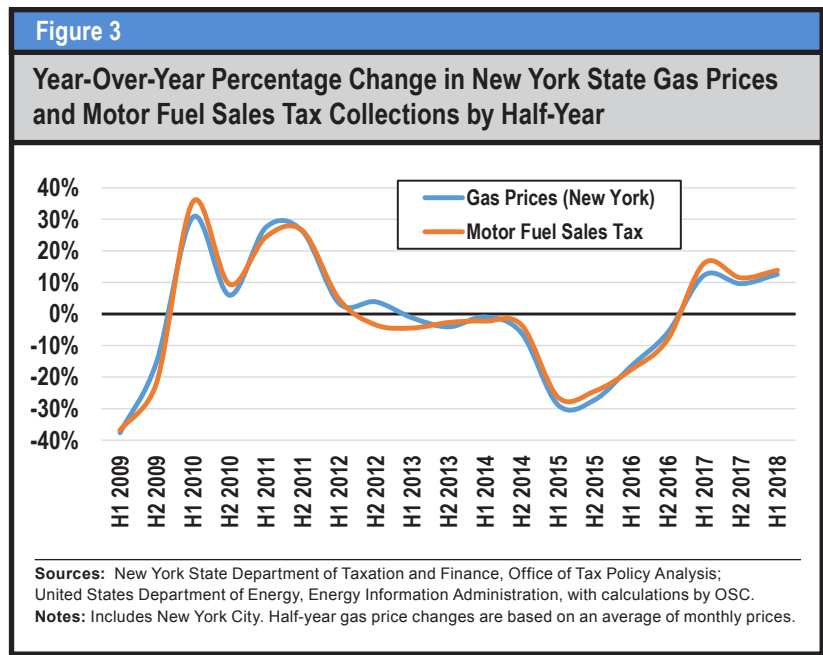
Factors and Influences

Several economic factors may have helped to boost this continued statewide growth in local sales tax collections. The State's unemployment rate for June 2018 was 4.5 percent, the lowest in over a decade.² Meanwhile, wage growth in the first half of 2018 has remained mostly steady overall, slightly outpacing last year. Consumer confidence is also quite high, spending is up slightly and tourism remains strong throughout the State.³ Inflation increased by 2.9 percent in June 2018 over June 2017, the highest year-over-year increase since June 2011.⁴

Motor Fuel Collections

One major factor affecting sales tax collections at the local level, especially in the upstate regions, is the amount generated from the sale of motor fuel. The motor fuel sales tax component increased by 13.9 percent from the first half of 2017, marking the third consecutive half-year increase. (See Figure 3.)

Motor fuel sales tax collections are closely related to gas prices, and over the past year, prices have increased by 12.6 percent, from an average price of \$2.56 per gallon in the first half of 2017 to \$2.89 in the first half of 2018.



Recent Supreme Court Ruling

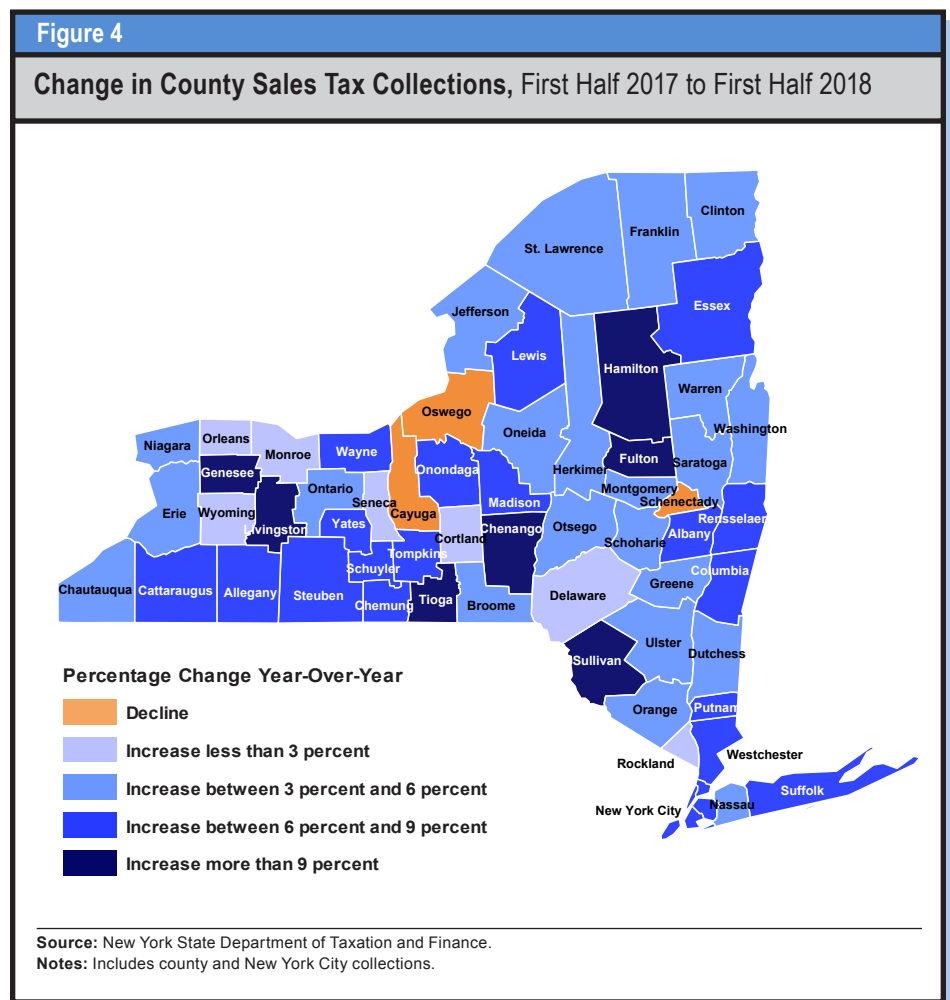
In June 2018, the U.S. Supreme Court's ruling in *South Dakota v. Wayfair* reversed certain prior decisions (including *Quill Corp. v. North Dakota*), thereby giving states the authority to require online retailers to collect and remit sales taxes on goods and services whether or not they have a physical presence in the state.⁵ This ruling may allow states to enact laws to collect from small internet sellers who use marketing and distribution services on marketplace platforms, which they did not have the authority to collect from under *Quill*. However, under the new ruling, states are still required to establish some standard of economic presence to determine which remote sellers are subject to the collection and remittance of their sales taxes. It is unclear what impact the Supreme Court's decision will have in New York. The State has previously taken steps to pursue the collection of sales taxes on online sales.

County Collections

In the first half of 2018, sales tax collections grew in 54 of the 57 counties outside of New York City. The strongest growth was in Hamilton County at 38.9 percent, followed by Sullivan (18.0 percent), Fulton (14.7 percent) and Tioga (12.5 percent) counties. Motor fuel collections have been very strong in several upstate counties, including Allegany, Cattaraugus and Tioga. Local officials believe this may be a result of gasoline prices in New York being consistently lower than in neighboring Pennsylvania, which has helped to boost overall sales tax collections in their counties.

Because the total of the sales taxes collected by each of these counties on a monthly basis is relatively small, even modest shifts in dollar amounts can result in large percentage changes. This includes any shifts due to technical adjustments.⁶ For instance, Hamilton County had a total of \$290,241 in technical adjustments in the first half 2018, which equaled 16 percent of its total collections.

Wyoming and Seneca counties both had year-over-year increases of less than 1.0 percent, while collections in Cayuga (-5.8 percent), Oswego (-1.9 percent) and Schenectady (-1.8 percent) counties all declined when compared to the first half of 2017. Technical adjustments hurt overall growth for the counties with collection decreases, particularly in Oswego County, where a total of \$1.4 million in technical adjustments caused overall collections to decline compared to the same period last year. (For a list of county and city sales tax collections, please see the Appendix on page 6.)

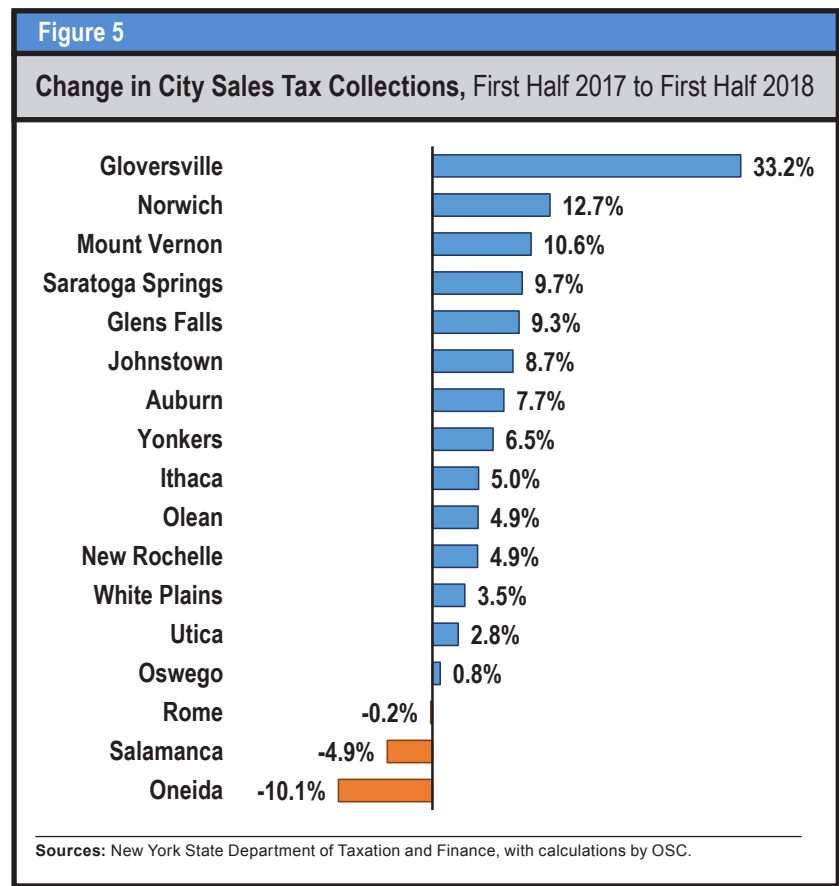


City Collections

Eighteen out of sixty-two cities (including New York City) impose their own sales tax instead of opting to receive a share of what their county collects. There are also five cities that impose a limited sales tax on consumer utilities or hotel occupancy.⁷

As in the case of small counties, most cities' sales tax collections are small and therefore prone to greater variance, especially over periods shorter than a full year.

All but three cities that impose their own sales tax experienced an increase in year-over-year collections in the first half of 2018. The City of Gloversville had the strongest growth at 33.2 percent, which local officials suggest is likely due to a large one-time purchase made by a local business in the first quarter of 2018. The cities of Norwich (12.7 percent) and Mount Vernon (10.6 percent) also had strong growth. The cities of Oneida, Rome and Salamanca saw their collections decrease from the same period last year, but this was mostly due to technical adjustments. (See Figure 5.)

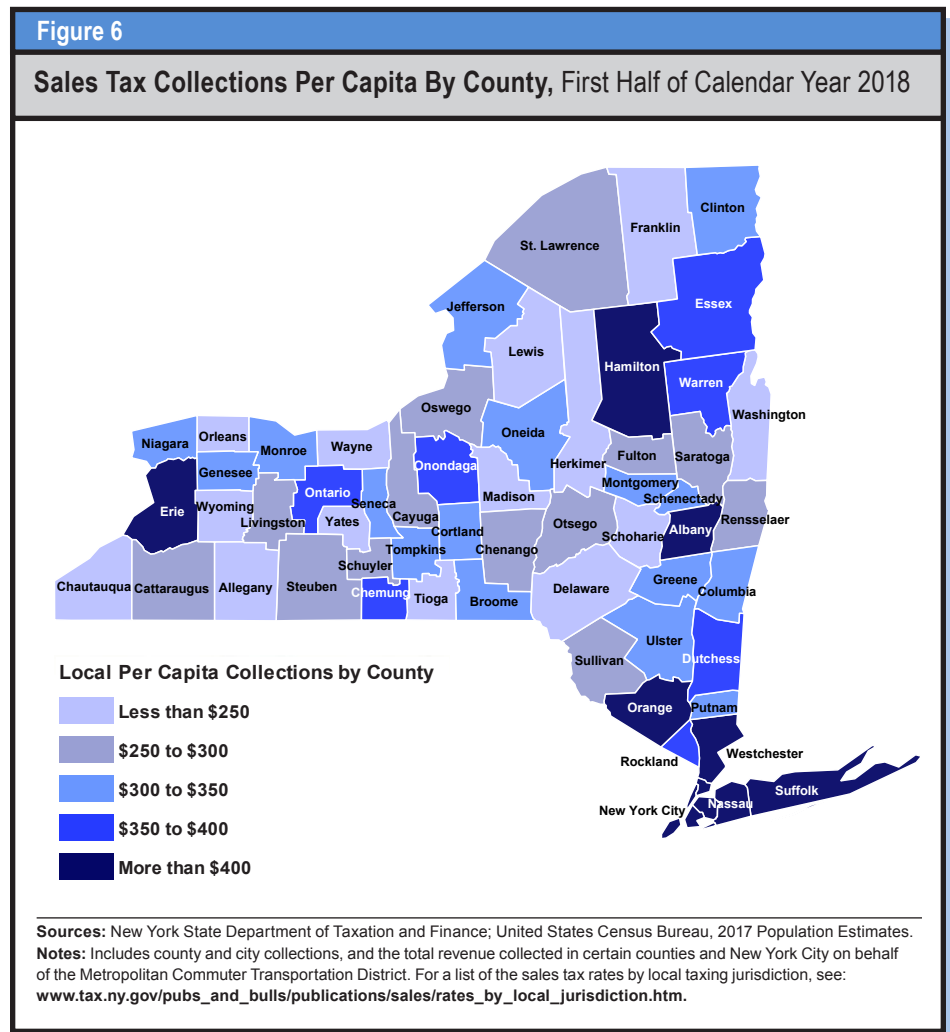


Per Capita Collections

New York State’s local sales tax collections per capita in the first half of 2018 were \$426, an increase of \$24 over the same period last year.⁸

Per capita collections were the highest in Long Island – Suffolk County (\$506) and Nassau County (\$467) – and New York City (\$485). However, they were also quite high in Albany (\$438) and Erie (\$416) counties. Per capita collections were the lowest in Washington County (\$158).

Factors that affect per capita collections can include differences in total sales (or type of sales), whether purchasers are coming from outside the county (such as in tourist destinations), and differences in local tax rates. For example, higher local sales tax rates in Erie County and both Long Island counties help explain their higher per capita collections. New York City also has a high sales tax rate and a lot of high-end retail. Additionally, its sales tax base is rather distinct from other regions because it includes a number of services that are not generally taxed elsewhere in the State, such as barbering, tanning and tattooing.⁹ (See Figure 6.)



Appendix: Sales Tax Collections by Region, First Half 2017 and First Half 2018

Region	City/County	First Half 2017	First Half 2018	Year-Over-Year Percentage Change
Capital District		\$345,711,982	\$364,937,098	5.56%
Albany	County	\$125,181,310	\$135,741,045	8.44%
Columbia	County	\$18,731,319	\$20,174,577	7.71%
Greene	County	\$14,851,909	\$15,352,930	3.37%
Rensselaer	County	\$40,869,765	\$43,347,651	6.06%
Saratoga	County	\$56,659,022	\$59,694,084	5.36%
<i>Saratoga Springs</i>	City	\$5,054,272	\$5,543,429	9.68%
Schenectady	County	\$50,464,223	\$49,542,076	-1.83%
Warren	County	\$23,022,177	\$24,166,453	4.97%
<i>Glens Falls</i>	City	\$1,476,089	\$1,613,775	9.33%
Washington	County	\$9,401,896	\$9,761,077	3.82%
Central New York		\$247,239,857	\$259,215,681	4.84%
Cayuga	County	\$18,661,544	\$17,586,570	-5.76%
<i>Auburn</i>	City	\$4,236,249	\$4,562,673	7.71%
Cortland	County	\$14,313,312	\$14,553,534	1.68%
Madison	County	\$13,153,400	\$13,963,956	6.16%
<i>Oneida</i>	City	\$2,351,777	\$2,113,491	-10.13%
Onondaga	County	\$164,535,330	\$176,805,121	7.46%
Oswego	County	\$23,003,849	\$22,575,331	-1.86%
<i>Oswego</i>	City	\$6,994,372	\$7,052,887	0.84%
Finger Lakes		\$363,274,747	\$374,439,522	3.07%
Genesee	County	\$18,016,121	\$19,726,372	9.49%
Livingston	County	\$15,154,704	\$16,627,029	9.72%
Monroe	County	\$236,964,100	\$240,598,963	1.53%
Ontario	County	\$38,541,677	\$40,751,767	5.73%
Orleans	County	\$8,082,896	\$8,207,811	1.55%
Seneca	County	\$11,761,380	\$11,818,413	0.48%
Wayne	County	\$20,719,461	\$22,198,317	7.14%
Wyoming	County	\$8,758,946	\$8,827,709	0.79%
Yates	County	\$5,273,148	\$5,681,314	7.74%
Long Island		\$1,220,285,933	\$1,287,209,583	5.48%
Nassau	County	\$561,783,233	\$587,910,272	4.65%
Suffolk	County	\$657,421,282	\$698,166,864	6.20%
Mid-Hudson		\$771,989,557	\$816,949,185	5.82%
Dutchess	County	\$88,958,516	\$94,168,063	5.86%
Orange	County	\$133,166,278	\$141,016,983	5.90%
Putnam	County	\$28,140,406	\$29,832,752	6.01%
Rockland	County	\$103,291,456	\$105,484,361	2.12%
Sullivan	County	\$18,181,064	\$21,459,795	18.03%
Ulster	County	\$54,929,547	\$56,836,619	3.47%
Westchester	County	\$253,263,253	\$270,568,509	6.83%
<i>Mount Vernon</i>	City	\$9,591,245	\$10,611,179	10.63%
<i>New Rochelle</i>	City	\$13,755,837	\$14,425,603	4.87%
<i>White Plains</i>	City	\$23,747,641	\$24,579,479	3.50%
<i>Yonkers</i>	City	\$44,271,886	\$47,168,425	6.54%

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Region	City/County	First Half 2017	First Half 2018	Year-Over-Year Percentage Change
Mohawk Valley		\$126,033,471	\$133,285,379	5.75%
Fulton	County	\$9,906,649	\$11,360,226	14.67%
Gloversville	City	\$1,688,617	\$2,249,616	33.22%
Johnstown	City	\$1,838,614	\$1,998,244	8.68%
Hamilton	County	\$1,303,779	\$1,810,355	38.85%
Herkimer	County	\$14,647,130	\$15,279,961	4.32%
Montgomery	County	\$14,287,829	\$14,897,365	4.27%
Oneida	County	\$66,547,825	\$69,521,553	4.47%
Rome	City	\$3,710,704	\$3,704,037	-0.18%
Utica	City	\$4,943,625	\$5,081,486	2.79%
Schoharie	County	\$7,158,705	\$7,382,453	3.13%
North Country		\$117,690,479	\$123,617,760	5.04%
Clinton	County	\$25,639,872	\$27,075,254	5.60%
Essex	County	\$12,714,674	\$13,720,684	7.91%
Franklin	County	\$10,530,543	\$11,038,144	4.82%
Jefferson	County	\$35,246,594	\$36,930,818	4.78%
Lewis	County	\$5,798,014	\$6,148,005	6.04%
St. Lawrence	County	\$27,760,755	\$28,704,852	3.40%
Southern Tier		\$198,973,798	\$210,423,028	5.75%
Broome	County	\$61,385,145	\$63,698,571	3.77%
Chemung	County	\$28,091,654	\$29,953,450	6.63%
Chenango	County	\$11,065,287	\$12,077,468	9.15%
Norwich	City	\$731,529	\$824,174	12.66%
Delaware	County	\$10,358,414	\$10,533,996	1.70%
Otsego	County	\$16,963,245	\$17,710,236	4.40%
Schuyler	County	\$4,561,259	\$4,912,822	7.71%
Steuben	County	\$25,961,822	\$27,795,904	7.06%
Tioga	County	\$10,050,818	\$11,306,181	12.49%
Tompkins	County	\$24,352,529	\$25,887,953	6.30%
Ithaca	City	\$5,429,292	\$5,698,666	4.96%
Western New York		\$491,433,258	\$513,326,885	4.46%
Allegany	County	\$9,689,620	\$10,546,162	8.84%
Olean	City	\$2,050,240	\$2,150,910	4.91%
Salamanca	City	\$332,481	\$316,303	-4.87%
Cattaraugus	County	\$17,702,192	\$18,844,656	6.45%
Chautauqua	County	\$30,533,194	\$32,046,452	4.96%
Erie	County	\$369,274,674	\$385,086,756	4.28%
Niagara	County	\$57,375,753	\$59,534,089	3.76%
New York City		\$3,603,120,939	\$3,853,439,673	6.95%
Other Local		\$529,666,373	\$562,435,669	6.19%
Statewide Total		\$8,015,420,395	\$8,499,279,465	6.04%

Sources: 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: 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, *Seasonally Adjusted Labor Force Data – NYS, NYC, and BOS*, accessed on July 25, 2018, www.labor.ny.gov/stats/LSLAUS.shtm. Monthly unemployment rates are adjusted for seasonal changes in employment.
- ³ Federal Reserve District, *The Beige Book*, July 2018, www.federalreserve.gov/monetarypolicy/beige-book-default.htm.
- ⁴ United States Department of Labor, Bureau of Labor Statistics, *Consumer Price Index*, accessed on July 25, 2018, www.bls.gov/cpi/tables/supplemental-files/home.htm.
- ⁵ *South Dakota v. Wayfair*, 201 L. Ed. 2d 403, 2018 U.S. LEXIS 3835; The U.S. Supreme Court ruled in the case of *Quill Corp. v. North Dakota*, 504 U.S. 298, that a state can only impose upon a seller the obligation to collect and remit the state's use tax on sales to state customers if the seller has a "substantial nexus" in the state, meaning a physical presence, as required by the Commerce Clause of the U.S. Constitution.
- ⁶ 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.
- ⁷ 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.
- ⁸ This amount does not include the State's share of the sales tax collected for the first half of 2018. However, local per capita collections include the total revenue collected in certain counties and New York City on behalf of the Metropolitan Commuter Transportation District. A per capita amount of \$38 is applied to each affected local taxing jurisdiction.
- ⁹ 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.



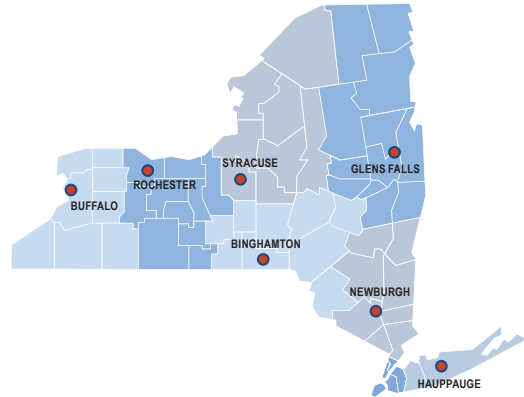
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