

## Local Government Impact from Sales Tax Withholding Programs

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## Agenda

- Aid and Incentives for Municipalities (AIM)
- Withholdings of County Sales Tax Collections
  - AIM-Related Payments
  - Distressed Provider Assistance (DPA)
- Resources



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## Aid and Incentives for Municipalities (AIM) and AIM-Related Payments



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## Aid and Incentives for Municipalities (AIM) History

- Created in 2006, a consolidation of several different unrestricted state aid programs
- \$714.7 million in 2018-19, funding levels unchanged for several years
  - Cities, towns and villages
- Division of Budget (DOB) directs the timing and amounts of AIM payments.
  - OSC acts upon DOB certification.

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## AIM and AIM-Related Payments: 2019-20 Executive Budget

- Governor Cuomo proposed eliminating AIM in the 2019-20 Executive Budget for most towns and villages.
  - 1,326 didn't meet a defined AIM-reliance standard.
  - All cities and 137 towns and villages would still receive AIM.
- This change represented a savings of \$59.2 million for the State.

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## AIM and AIM-Related Payments: 2019-20 Enacted Budget

- Funds for the "AIM-Related" payments were provided, BUT will now be paid from county sales tax collections.
- OSC is required to withhold county sales tax collections and distribute to certain towns and villages.

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## AIM and AIM-Related Payments: 2019-20 Enacted Budget

- All cities and 137 towns and villages will continue to receive AIM payments in the same amounts and at the same time as they always have.
  - Towns and villages: September
  - Cities' payment schedule:
    - [www.budget.ny.gov/pubs/archive/fy21/enac/fy21en-aim-paysched.pdf](http://www.budget.ny.gov/pubs/archive/fy21/enac/fy21en-aim-paysched.pdf)
- 1,326 towns and villages will receive the new AIM-Related payments in the amount they received in AIM in September 2018.
- This is a permanent change in law.

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## AIM-Related Payments in Erie County and Nassau County

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## AIM and AIM-Related Payments: When Will We Receive Payments?

- 1,326 towns and villages will receive the new AIM-Related payments on the following dates:

Local Fiscal Year End Date	AIM-Related Payment Date
February 28, March 31, July 31, December 31	On or before December 15
May 31	On or before May 15

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## AIM Payment Amounts: State Fiscal Year 2020-21

- This year, DOB has started to withhold 20 percent from all AIM payments.
  - Letters from OSC to AIM recipients made note of this.
  - Beginning in May 2020, \$118.4 million in AIM payments have been withheld by DOB to date.

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## AIM Payment Amounts: Future State Fiscal Years

- AIM is an annual appropriation in the Enacted State Budget.
  - AIM funding in the Enacted Budget was flat from SFY 2011-12 to SFY 2018-19
  - Like most other State Aid programs, it can change from year to year
  - OSC recommends that municipalities budget conservatively for future State Aid revenue

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## AIM and AIM-Related Payments OSC Responsibilities

- Withhold county sales tax collections
  - Early December and early May
- Make AIM-Related payments to towns and villages that don't meet DOB's AIM-reliance standard

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## AIM-Related Accounting Guidance

- New Revenue Code 2750 for AIM-Related Payments
  - Code will be available in both the General Fund (A) and the General Fund Town-Outside-Village (B).
- Accounting Bulletin issued In December 2019 (updated January 2020):
  - [www.osc.state.ny.us/files/local-government/publications/pdf/account-code-for-aim-related-payments.pdf](http://www.osc.state.ny.us/files/local-government/publications/pdf/account-code-for-aim-related-payments.pdf)

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## What Towns and Villages Need to Do (If You Haven't Already)

- You should know whether you receive an AIM payment or an AIM-Related payment.
- OSC has made AIM-Related payments in December 2019 and in May and December 2020.
  - OSC previously sent letters notifying the 1,326 towns and villages that they will no longer be receiving AIM.
  - Payment months are posted on our website:
    - [www.osc.state.ny.us/local-government/data/aid-and-incentives-municipalities-aim-and-aim-related-payments](http://www.osc.state.ny.us/local-government/data/aid-and-incentives-municipalities-aim-and-aim-related-payments)

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## Distressed Provider Assistance (DPA) Withholding

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## DPA Withholding

- Included in the 2020-21 Enacted State Budget
- Requires OSC to withhold \$250 million per State fiscal year, for two years from sales tax collections
  - Counties outside New York City: \$50 million
  - New York City: \$200 million
- Funds placed into a Distressed Provider Assistance Account
  - Provide support to financially distressed hospitals and nursing homes throughout the State

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## DPA Withholding

### Year 1

- The first 4 quarterly installments are deferred until January 15, 2021.

### Year 2

- \$250 million will be withheld evenly through 4 quarterly installments (\$62.5 million per installment) on:
  - 2021: April 15, July 15, October 15
  - 2022: January 15
- In both years, the \$250 million will be withheld:
  - Counties outside New York City: \$50 million
  - New York City: \$200 million

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## DPA Withholding

- County sales tax distributions will be affected on the following dates:

Date of Withholding	County Sales Tax Distribution Affected
January 15, 2021	Early February 2021
April 15, 2021	Early May 2021
July 15, 2021	Early August 2021
October 15, 2021	Early November 2021
January 15, 2022	Early February 2022

- At this time, DPA is set to expire after the January 15, 2022 withholding.

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## DPA Withholding: OSC Responsibilities

- Determine amount to be withheld from each county outside of New York City
  - County proportional share is based on total sales tax collections as a percentage of statewide county collections

	First Year	Second Year
<b>Dates to determine proportional share:</b>	December 2018 through November 2019	December 2019 through November 2020
<b>When available:</b>	Already posted on OSC's website	Will be posted on OSC's website by the end of the year

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## DPA Withholding: County Impact

- **Gross** sales tax amounts are reported monthly on State Department of Taxation and Finance's AS001- *Revenue Distribution Certification*.
- The amounts withheld and the resulting distributions by OSC are not reflected here.
  - DPA withholdings should be subtracted from the subsequent AS001 in order to arrive at **net** sales tax revenue that counties will receive.

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## DPA Withholding: County Impact

- Example – January 15, 2021 payment

Gross Sales Tax County X  (From AS001— January Early Draw – Paid February 4, 2021)	DPA Installment Withheld From County X	Net Sales Tax Received by County X  (Gross Sales Tax – DPA Payment)
\$10,000,000	(\$2,000,000)	\$8,000,000

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## What Counties Need to Do Now

- Check OSC's website to see the county's DPA proportional share.
  - Amount to affect February 4<sup>th</sup> distribution already is posted.
  - Next 4 withholding amounts will be posted by January 1, 2021.
- Plan to receive less in net sales tax on specific distribution dates.
  - Impacted sales tax distribution dates are posted on our website.
  - Updated net sales tax amounts will be posted on OSC's website.

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## OSC Resources

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## Resources for the County Sales Tax Withholding Programs

- **OSC Webpage**
  - Link to State Department of Taxation and Finance website
    - AS001 Revenue – Revenue Distribution Certification
  - Brief overview of AIM-Related and DPA programs with links to OSC websites that go into greater detail on each of these programs
  - Table with timing of payments
    - Will be updated to reflect how much net sales tax revenue counties will receive after these withholdings

[www.osc.state.ny.us/local-government/data/county-sales-tax-distributions-and-withholdings](http://www.osc.state.ny.us/local-government/data/county-sales-tax-distributions-and-withholdings)

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## AIM and AIM-Related Resources

- [OSC AIM and AIM-Related Webpage](#)
  - Payment date and amount spreadsheet
    - Cities, towns and villages
  - Sales tax withholding spreadsheet
    - AIM-Related Responsibility by County
  - AIM-Related Legislation
  - AIM-Related Accounting Guidance

[www.osc.state.ny.us/local-government/data/aid-and-incentives-municipalities-aim-and-aim-related-payments](http://www.osc.state.ny.us/local-government/data/aid-and-incentives-municipalities-aim-and-aim-related-payments)



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## DPA Resources

- [OSC DPA Webpage](#)
  - County proportional share of DPA payment
    - Withholding amounts for January 2021 (impacting February 2021 distributions, already posted)
    - Quarterly withholding amounts for April, July, October 2021 and January 2022 (impacting May, August, November 2021 and February 2022 distributions, will be posted by end of year)
  - Final DPA Legislation

[www.osc.state.ny.us/local-government/data/sales-tax-withholdings-counties-and-new-york-city-support-medical-facilities](http://www.osc.state.ny.us/local-government/data/sales-tax-withholdings-counties-and-new-york-city-support-medical-facilities)



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## Thank You

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