Local Sales Taxes in New York
Allocations, Collections and Withholdings

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Topics

• Overview of local sales tax
  – How it’s administered, who can impose it and at what rates
• County sales tax sharing
• Local sales tax collections in 2020
• Enhanced collection of taxes on Internet sales
• Impact of State withholdings on local sales tax collections
Sales Tax Administration

• The vendor, such as a retailer or restaurant, is responsible for collecting sales tax from a customer and remitting it to the State
  – This is done monthly, quarterly or annually

• The State keeps its portion and distributes the local revenue to the taxing jurisdiction where the sale was made
  – This is done monthly, with certain exceptions

Local Sales Tax

• All counties and 18 cities impose a general sales tax on goods and services

• Certain goods and services are exempt from sales tax, including:
  – Most food purchased at stores, medical care, and educational and professional services

• Local rates range from 3 to 4.75%
  – Average combined State/local rate is 8.45%
Sales Tax Rates

City Sales Tax Rates, as of January 1, 2020

<table>
<thead>
<tr>
<th>City</th>
<th>Total Sales Tax Rate</th>
<th>City Portion of the Local Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York City*</td>
<td>8.875%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Yonkers*</td>
<td>8.875%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Utica</td>
<td>8.750%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Mount Vernon*</td>
<td>8.375%</td>
<td>2.5%</td>
</tr>
<tr>
<td>White Plains*</td>
<td>8.375%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Auburn</td>
<td>8.000%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Gloversville</td>
<td>8.000%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Ithaca</td>
<td>8.000%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Johnstown</td>
<td>8.000%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Norwich</td>
<td>8.000%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Oswego</td>
<td>8.000%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Saratoga Springs</td>
<td>7.000%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Glens Falls</td>
<td>7.000%</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

Source: NYS Comptroller
Notes: Total sales tax rate is the combined State and local rate.
* The total sales tax rate for these cities includes a 0.375 percent surcharge on behalf of the Metropolitan Commuter Transportation District.

Sales Tax Sharing

• A total of 46 counties share their sales tax revenue with other local governments within their borders
  – Tax law directs some counties to share with cities and towns, while others share voluntarily

• In fiscal year ending 2018, counties shared a total of $1.9 billion in sales tax revenue with other local governments
County Allocations

- 23 percent of all county sales tax revenue was allocated to other local governments within their borders in 2018

- Of the counties that shared their sales tax, those with cities allocated an average of 30 percent, while those without cities shared 10 percent.

Local Collections in 2020

- Statewide local sales tax collections grew by 4.6 percent in the first quarter of 2020, which mostly reflected sales made prior to the COVID-19 pandemic.

- Collections for the second quarter declined by 27.1 percent as a result of the State-mandated business and office closures.
June 2020 Collections

- Statewide local collections were down 25.4 percent in June, but this was mostly due to New York City.
- After steep drops in April and May, every region outside of New York City saw an improvement in collections for June as a result of retail stores and offices reopening.

### Monthly Year-Over-Year Change in Local Sales Tax Collections by Region, April to June 2020

<table>
<thead>
<tr>
<th>Region</th>
<th>April 2020</th>
<th>May 2020</th>
<th>June 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital District</td>
<td>6.5%</td>
<td>7.4%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Central NY</td>
<td>6.5%</td>
<td>7.4%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Finger Lakes</td>
<td>6.5%</td>
<td>7.4%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Mohawk Valley</td>
<td>6.5%</td>
<td>7.4%</td>
<td>8.2%</td>
</tr>
<tr>
<td>North Country</td>
<td>6.5%</td>
<td>7.4%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Southern Tier</td>
<td>6.5%</td>
<td>7.4%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Western NY</td>
<td>6.5%</td>
<td>7.4%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Long Island</td>
<td>6.5%</td>
<td>7.4%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Mid-Hudson</td>
<td>6.5%</td>
<td>7.4%</td>
<td>8.2%</td>
</tr>
<tr>
<td>New York City</td>
<td>6.5%</td>
<td>7.4%</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

Source: Tax and Finance, with calculations by OSC.
Notes: Includes county and city sales taxes.


Improvement to Collections

- The State has recently improved the collection of taxes on internet-based sales made by smaller out-of-state vendors to New York residents.
  - Improvements include the economic “nexus” policy and the “marketplace” provision.
- Tax and Finance has been tracking total taxable sales made by vendors registered under these new improvements.
Internet-Based Sales

• From March 2019 to February 2020, marketplace and nexus vendors were responsible for $8.8 billion, or 2.2 percent, of the $400 billion in total taxable sales.

• This helped to boost statewide taxable sales to 4.8 percent over the previous 12 months.
  – Without the addition of these sales, the growth would have been closer to 2.5 percent.

Local Sales Tax Estimates

• OSC estimates that the nexus and marketplace improvements generated approximately $373 million in local sales taxes over the course of the year.
  – Sales in New York City account for over $150 million, or 40 percent of this total.

OSC Withholdings

- Two State programs now require OSC to withhold funds from county sales tax collections prior to distribution in certain months
  - Aid and Incentives for Municipalities (AIM) - Related Payments
  - Distressed Provider Assistance

AIM-Related Payments

- Established in 2019-20 Enacted State Budget
- Defines which towns and villages are “reliant” on State aid from AIM
  - If 2018-19 AIM > 2% of 2017 total expenditures
    - Town or village (137) will continue to receive AIM each September
  - If 2018-19 AIM < 2%
    - Town or village (1,325) will receive AIM-Related payments, annually
AIM-Related Payments

- Withholdings and payments take place in May and December, annually
  - Towns and villages with a 5/31 fiscal year end receive payments by May 15
  - All others receive payments by December 15

- The town/village payment matches the 2018 AIM distribution
  - Total of $59.1 million, annually

Distressed Provider Account

- Established in 2020-21 Enacted State Budget

- Withholds $50 million from counties outside of New York City and $200 million from New York City

- Withheld money will be put in a fund for distressed hospitals and nursing homes
Distressed Provider Account

• 2-Year Program – Unlike AIM-Related

• First withholding takes place in January 2021 and represents the sum of the first 4 quarterly withholdings
  – April 2020, July 2020, Oct 2020 and Jan 2021

• The next 4 withholdings will occur quarterly
  – April 2021, July 2021, Oct 2021 and Jan 2022
  – Amounts to be determined in late Dec 2020

Distressed Provider Account

• How is the split of the $50 million withheld from counties determined?
  – Aggregate amount of sales tax collections in a county between Dec 2018 and Nov 2019 (“A”)
  – Total sales tax collections for all counties at the same time (“B”)
  – A/B = Proportionate county share
2020 DP Calculation Example

- Albany County’s total sales tax collections from Dec 2018 to Nov 2019 = $285 million
- Statewide county sales tax collections from Dec 2018 to Nov 2019 = $8.5 billion
- $285 million/$8.5 billion = 3.4%
- Albany County’s Distressed Provider responsibility for 2020
  - 3.4% x $50 million = $1,677,287

County Sales Tax Withholdings

- OSC withholds funds from the “early” Tax and Finance Revenue Distribution Certification (AS001) in these months:

<table>
<thead>
<tr>
<th>Fiscal Year and Month</th>
<th>AIM-Related Payments</th>
<th>Distressed Provider Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>$</td>
<td></td>
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<tr>
<td>April</td>
<td>$</td>
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<tr>
<td>May</td>
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<td>July</td>
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<tr>
<td>October</td>
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<tr>
<td>December</td>
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<tr>
<td>2022</td>
<td></td>
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<tr>
<td>January</td>
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<tr>
<td>May</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>$</td>
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</tr>
</tbody>
</table>
County Sales Tax Withholdings

• See withholding information on OSC’s website, including:
  – Background
  – Calculations
  – Legislation
  – Past Webinars

• Link: [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)

Resources

Local Sales Tax Report

OSC Withholding Information

Tax and Finance Revenue Distribution Certification
[www.tax.ny.gov/research/stats/statistics/sales_tax/government/as001.htm](http://www.tax.ny.gov/research/stats/statistics/sales_tax/government/as001.htm)
Thank You

Division of Local Government and School Accountability

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