



New York State County Sales Tax Collections by Region



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New York State County Sales Tax Collections by Region

Summary

Our analysis of recent sales tax data shows that the State's counties have experienced mixed results in sales tax growth over the past few years, with collections varying widely across regions and fluctuating widely from year to year within regions. As an example of regional differences, western New York counties had a 14.7 percent growth in collections in 2005-06 while at the same time the Capital District region only experienced 1.4 percent growth. Much of this variation can be explained by rate increases, cash adjustments and by economic factors such as the weakening of the U.S. dollar. There are many factors that impact sales tax collections from quarter to quarter, including various audit recoveries and other adjustments made by the Department of Tax and Finance.

Overall, counties had 3.24 percent growth in sales tax collections between 2006 and 2007, with regional growth ranging from 5.5 percent in the Lower-Hudson Valley region to a decline of 2.2 percent in the Mohawk Valley region. Growth continued in the first quarter of 2008, indicating that the effect of the economic recession has not yet fully impacted sales tax collections. In addition, it appears that certain counties that border Canada are benefiting from Canadian shoppers and may be cushioned somewhat from the effect of the economic slowdown. Rapidly rising energy prices have also had some impact, particularly in counties where fuel consumption constitutes a significant part of the tax base. Nonetheless, the volatility in sales tax data means that forecasting sales tax revenue will be increasingly challenging.

As a result, counties must be cautious as they prepare their budgets for 2009 and beyond. They should be factoring in regional differences and the inevitable decline in growth because of the slowdown of the economy. They should also make sure they understand the real historical growth rate of their sales tax, independent of the impact of the various adjustments that affect actual collections. Any forecast should also be based on a tax liability basis rather than a cash collection basis.

Overview

Sales taxes are an important source of revenue for New York State's local governments. This revenue stream has helped local governments cope with the rising cost of providing services and mitigate property tax increases. The degree to which local governments depend on sales taxes varies, but their overall reliance has increased over the past 10 years. For instance, counties saw an increase in sales tax revenues, as a share of total revenue, from 21.3 percent in 1996 to 26.9 percent in 2006. Sales tax revenues now exceed the real property tax as the largest revenue source for counties.

Although law permits only a 3 percent local sales tax, 51 of 57 counties have received State authorization to levy above this rate and 44 of 57 counties impose sales tax rates of 4 percent or more.¹

Sales and Use Tax Rates by Region Effective May 2008

Capital District		Rate	Long Island		Rate	North Country		Rate
Albany		4	Nassau		4.25	Clinton		4
Columbia		4	Suffolk		4.25	Essex		3.75
Greene		4				Franklin		4
Rensselaer		4				Jefferson		3.75
Saratoga		3				Lewis		3.75
Schenectady		4				St. Lawrence		3
Warren		3						
Washington		3						
Central New York		Rate	Lower Hudson Valley		Rate	Southern Tier		Rate
Cayuga		4	Rockland		4	Broome		4
Cortland		4	Westchester		3	Chemung		4
Madison		4				Chenango		4
Onondaga		4				Delaware		4
Oswego		4				Otsego		4
Finger Lakes		Rate	Mid-Hudson		Rate	Schuyler		4
Genesee		4	Dutchess		3.75	Steuben		4
Livingston		4	Orange		3.75	Tioga		4
Monroe		4	Putnam		4	Tompkins		4
Ontario		3.125	Sullivan		4			
Orleans		4	Ulster		4			
Seneca		4						
Wayne		4						
Wyoming		4						
Yates		4						
Mohawk Valley		Rate	Western New York		Rate			
Fulton		4	Allegany		4.5			
Hamilton		3	Cattaraugus		4			
Herkimer		4.25	Chautauqua		3.75			
Montgomery		4	Erie		4.75			
Oneida		4.75	Niagara		4			
Schoharie		4						

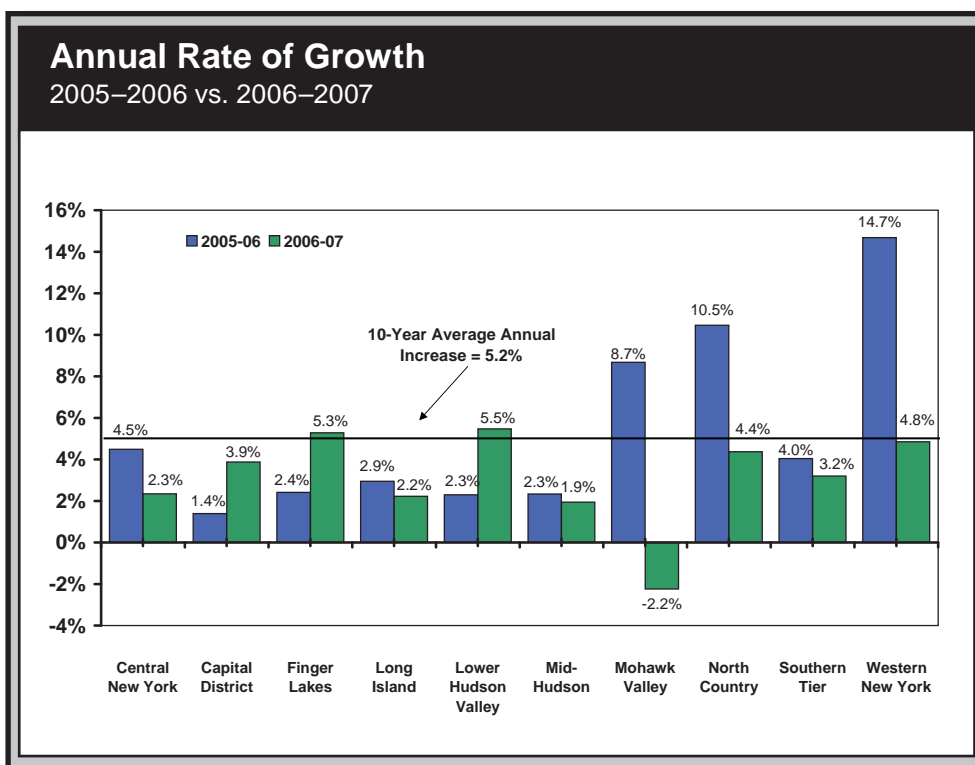
¹ The State collects and retains sales tax at a rate of 4 percent, which is not reflected in the table above. The Metropolitan Transit Authority (MTA) also levies a sales tax of 3/8 percent in seven metropolitan counties outside of New York City. Combined sales tax rates range from 7 percent to 8.75 percent.

Trends

According to 2007 sales tax collection data from the New York State Department of Taxation and Finance, most regions in New York experienced growth over 2006.² In six of the nine regions, growth in sales tax collections exceeded inflation (2.85 percent) over the time period. Central New York and Long Island collections grew at rates slightly below inflation, while sales tax collections in counties within the Mohawk Valley actually decreased between 2006 and 2007. In fact, four of the six counties in this region experienced negative growth. Of these four counties, Oneida County experienced the most significant decline (-5.3 percent), but this was due primarily to a reduction in its sales tax rate during this time period.

Regionally, sales tax collections grew more between 2005 and 2006 than they did between 2006 and 2007. To some degree, this fluctuation can be explained by changes in local rates. Counties may have increased their rates, decreased their rates, or both—as in the case of Oneida County.³

Notably, some border counties, including Erie County,⁴ seem to be benefiting from Canadian tourists eager to take advantage of the weak U.S. dollar. Indeed, Erie County showed a 6.3 percent increase in its sales tax collections between 2006 and 2007. According to local news reports, some Erie County shopping malls have extended weekend hours in order to accommodate the influx of Canadian shoppers.⁵



² See Appendix 1.

³ Oneida County increased its rate from 4 percent to 5.5 percent in February 2005; decreased the rate to 5 percent in May 2006; and decreased the rate once again to 4.75 percent in August 2007.

⁴ The Western New York trend has been largely influenced by rate changes in Erie County. The County increased its rate from 4 percent to 4.25 percent in June 2005. The County raised the rate again in January 2006—from 4.25 percent to 4.75 percent.

⁵ Plants, Ron. WGR2 News at www.wgr2.com. March 7, 2008. “Canadian Consumers Prompt Longer Sundays at Walden Galleria.”

Outlook

The current state of the economy suggests that New York may see a slowdown in the growth in sales tax revenues. Strong growth in the housing market early in the decade spurred a surge in new construction, building permits and housing-related purchases, which generated strong sales tax revenue.⁶ This growth has slowed dramatically. Nationally, sales tax revenues are slowing due to a decline in consumer spending, both in terms of day-to-day retail sales and home improvements, whether financed by the homeowner directly or through home equity loans.⁷

However, this decline has been offset somewhat by increasing energy costs. The U.S. Department of Labor energy index, which reflects prices for gasoline and household fuels, rose 3.7 percent in April 2008, due to a 5.3 percent increase in gasoline prices and increases in utility gas and electricity. Overall, the energy index was 16.8 percent higher than in 2007.⁸ This rapid growth has generated significant sales tax revenue, particularly where energy costs form a significant percentage of the sales tax base. While food prices have also risen, most of these items are not subject to sales tax in New York. It should be noted however, that increasing energy costs may also force consumers to rethink their discretionary spending. For example, as the price of gasoline increases, consumers will be less apt to purchase larger (and often more expensive) automobiles—which are also subject to the sales tax.

Implications for Monroe County

In September 2007, Monroe County opted to swap a percentage of future sales tax revenues in lieu of a capped Medicaid payment. Preceding this decision, the Office of the State Comptroller issued a report urging counties to proceed with caution in evaluating the swap option and noted that only counties with historically low sales tax growth rates and a reasonable expectation of future low growth could potentially benefit. The Comptroller also recommended that state policymakers revisit the irrevocable nature of the swap option to ensure that the State does not reap an unintended financial benefit in the event that the amount of sales tax revenue intercepted exceeds the amount that the County would have owed under the capped Medicaid formula.

As a result of better than expected growth in sales tax collections, Monroe County is now facing a situation whereby the amount of sales taxes intercepted by the State may exceed what the capped Medicaid payment would have been. As shown in Attachments 1 and 2, the growth in recent sales tax collections for many counties, including Monroe, has exceeded expectations given the nationwide economic slowdown. In addition, Monroe County's total 2006-07 sales tax collections, on which the percentage of sales tax intercepted is based, was low due to large one-time adjustments. As a result, Monroe County's sales tax collections have grown much more rapidly than the 1.92 percent historic rate on which the sales tax intercept decision was made.

⁶ CreditWeek. April 2, 2008. *The Global Authority on Credit Quality*. Page 14.

⁷ Ibid.

⁸ United States Department of Labor, Bureau of Labor Statistics. May 14, 2008. *Consumer Prices in the Northeast: April 2008*.

According to Standard and Poor's (S&P) Ratings Services, a slower economy will affect State and local governments in three ways, by:

- Lowering the sales tax revenue available to governments;
- Depleting “rainy day” reserves; and
- Causing underperformance of locally derived revenues dependent on economic activity such as building permits, fees and realty transfer fees.⁹

Presently, 43 of New York's counties share their sales tax revenues with other local governments within their jurisdiction. Diminishing collections at the county level will also have a negative impact on other classes of local government.¹⁰

At the state level, S&P also reports that falling sales tax revenues have forced many state governments to amend their state budgets midyear. A recent report released by the Rockefeller Institute found that sales tax collections declined in 21 of 45 states during the first quarter of 2008 compared to the same quarter in 2007.¹¹ According to the New York State Division of the Budget, State sales tax receipts (base growth) are expected to increase by only 2.9 percent.¹²

⁹ CreditWeek. April 2, 2008. *The Global Authority on Credit Quality*. Page 14.

¹⁰ New York State Office of the State Comptroller. March 2006. *Local Government Sales Taxes in New York State: Description, Trends and Issues*.

¹¹ The Nelson A. Rockefeller Institute. May 1, 2008. *Sales Tax Declines in Most States*.

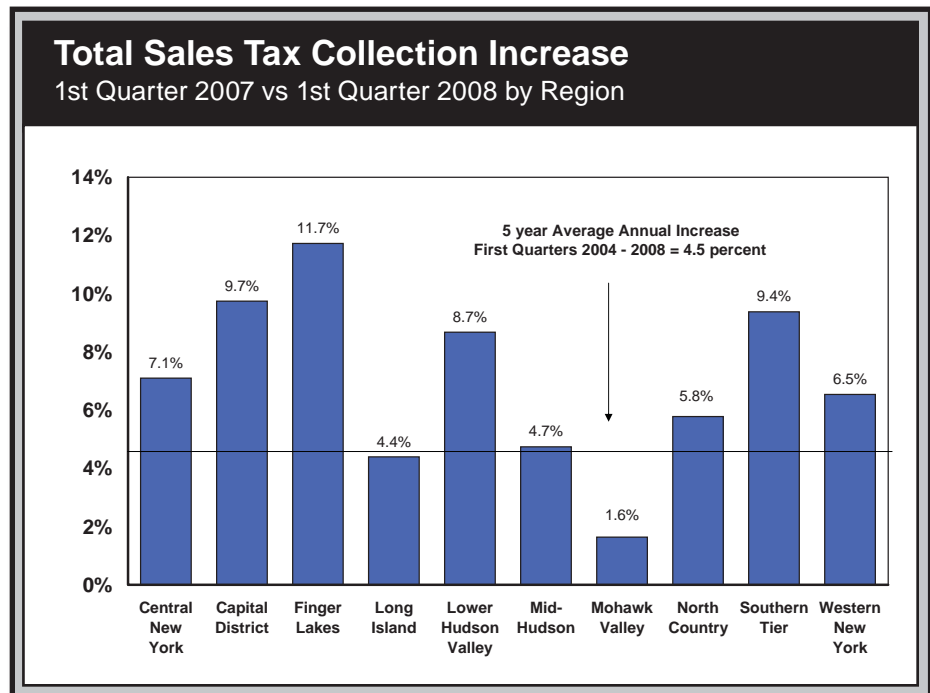
¹² NYS Division of the Budget. *2008-09 Enacted Budget Financial Plan*.

2008 Collections

Sales tax collection data is available through April 2008 (see Appendix 2 for county-by-county figures). However, because numerous cash adjustments occur at various points throughout the year, any analysis at this juncture might misrepresent the true underlying revenue trends related to economic activity.

As demonstrated in the table below, collections for the first three months of 2008 are higher than what might be expected when compared to the same three-month period in 2007, given the nationwide economic slowdown. Factors that help explain these trends include the following:

- Local sales tax rate increases (such as those in Clinton, Herkimer, Putnam, Rockland and Sullivan Counties);
- A weak U.S. dollar that has attracted shoppers from Canada to certain counties along the U.S.-Canadian border;
- A county's gas/fuel sales relative to its overall local sales tax base (fuel consumption tends to be inelastic in the short term);
- A number of counties that opted to cap their local sales tax on gasoline and diesel fuel in 2006 have since lifted that cap;
- Accounting changes that correct overpayments and shortages between the State and county shares of sales tax from previous periods; and
- Abnormally large audit recoveries during the first quarter.



Because sales tax revenues can be economically sensitive, conservative budget forecasting techniques are necessary in a recession to help avoid shortfalls in revenue projections. This is particularly true for localities that rely heavily on sales tax revenues. Additionally, any forecast should be examined on a tax liability basis rather than a cash or collections basis. Converting cash to tax liability amounts to making adjustments for changes in electronic funds transfer and deducting cash for assessments, late-filed returns, tax rate/base adjustments and prior period adjustments.

The New York State Department of Tax and Finance provides guidance to assist counties in understanding their quarterly adjustments. The Department also produces a report that details county by county taxable sales and purchases. However, at this time, the most current information available is for the period March 2005 to February 2006. The Department expects to release the 2006-2007 data later this summer.

Sales Tax Collections by Region

County Fiscal Year End 2006 and County Fiscal End 2007 (Millions)

Region	2006	2007	Percentage Change
Capital District			
Albany	\$227.94	\$230.43	1.09%
Columbia	\$31.67	\$29.75	-6.07%
Greene	\$26.43	\$27.24	3.08%
Rensselaer	\$62.15	\$63.95	2.88%
Saratoga	\$91.08	\$94.62	3.89%
Schenectady**	\$67.63	\$81.17	20.03%
Warren	\$44.68	\$45.18	1.12%
Washington	\$15.49	\$16.69	7.73%
Region Total	\$567.07	\$589.03	3.87%
Central New York			
Cayuga	\$29.05	\$30.17	3.85%
Cortland	\$22.70	\$24.02	5.83%
Madison	\$21.48	\$22.34	4.04%
Onondaga	\$284.93	\$287.54	0.92%
Oswego	\$29.64	\$32.80	10.66%
Region Total	\$387.79	\$396.88	2.34%
Finger Lakes			
Genesee	\$31.03	\$31.53	1.61%
Livingston	\$24.72	\$25.11	1.57%
Monroe	\$384.14	\$400.95	4.38%
Ontario*	\$58.00	\$65.04	12.15%
Orleans	\$12.56	\$13.67	8.78%
Seneca	\$18.33	\$19.25	5.00%
Wayne	\$32.33	\$35.39	9.45%
Wyoming	\$13.73	\$14.25	3.80%
Yates	\$8.74	\$9.21	5.31%
Region Total	\$583.58	\$614.38	5.28%
Long Island			
Nassau	\$997.71	\$1,007.98	1.03%
Suffolk	\$1,137.43	\$1,174.65	3.27%
Region Total	\$2,135.14	\$2,182.63	2.22%
Lower Hudson Valley			
Rockland*	\$156.91	\$169.72	8.16%
Westchester	\$442.25	\$462.23	4.52%
Region Total	\$599.16	\$631.95	5.47%
Mid-Hudson			
Dutchess	\$149.08	\$153.48	2.96%
Orange	\$219.62	\$221.89	1.03%
Putnam*	\$42.97	\$45.89	6.78%
Sullivan*	\$32.53	\$34.77	6.89%
Ulster	\$98.28	\$96.96	-1.35%
Region Total	\$542.49	\$553.00	1.94%

Region	2006	2007	Percentage Change
Mohawk Valley			
Fulton	\$17.46	\$18.00	3.12%
Hamilton	\$2.68	\$2.64	-1.30%
Herkimer*	\$23.58	\$25.38	7.64%
Montgomery	\$24.54	\$24.32	-0.88%
Oneida*	\$127.38	\$120.67	-5.27%
Schoharie	\$13.67	\$13.61	-0.47%
Region Total	\$209.31	\$204.63	-2.24%
North Country			
Clinton*	\$41.90	\$44.09	5.21%
Essex	\$22.84	\$23.20	1.56%
Franklin*	\$16.84	\$19.06	13.16%
Jefferson	\$60.69	\$62.33	2.71%
Lewis	\$9.29	\$9.32	0.30%
St. Lawrence	\$37.64	\$39.48	4.89%
Region Total	\$189.20	\$197.47	4.37%
Southern Tier			
Broome	\$103.98	\$107.24	3.14%
Chemung	\$49.29	\$51.29	4.07%
Chenango	\$17.91	\$18.71	4.44%
Delaware	\$20.64	\$20.81	0.84%
Otsego	\$33.08	\$34.33	3.77%
Schuyler	\$8.30	\$8.03	-3.18%
Steuben	\$37.78	\$39.64	4.91%
Tioga	\$18.33	\$17.71	-3.39%
Tompkins	\$40.42	\$42.51	5.16%
Region Total	\$329.74	\$340.28	3.20%
Western New York			
Allegany	\$16.89	\$17.75	5.11%
Cattaraugus	\$31.07	\$32.00	2.99%
Chautauqua*	\$61.49	\$58.95	-4.13%
Erie*	\$603.48	\$641.64	6.32%
Niagara	\$91.76	\$93.36	1.74%
Region Total	\$804.69	\$843.71	4.85%

* Indicates rate change during time period

** Year-to-year comparisons by county can be influenced by one-time actions not necessarily indicative of underlying economic activity. For example, while Schenectady County shows a significant increase in sales tax collections between 2006 and 2007, 2006 collections were depressed due to a large one-time refund to General Electric, an exemption for home energy sales for one quarter in 2006 and a sales tax cap on fuel sales effective for 5 months during 2006.

Source: Sales tax collections data from NYS Department of Taxation and Finance

Sales Tax Collections

January – April 2007 and January – April 2008 (Millions)

County	January-April 2007	January-April 2008	Percent Change	Gas Sales as Percent of 2007 Local Taxes
Albany (1)	\$72.89	\$76.53	5.0%	5.82%
Allegany	\$5.20	\$5.52	6.1%	9.20%
Broome	\$32.43	\$35.63	9.9%	9.34%
Cattaraugus	\$9.75	\$10.82	11.0%	5.61%
Cayuga (1)	\$8.85	\$9.51	7.4%	6.98%
Chautauqua (3)	\$18.31	\$15.92	-13.1%	5.11%
Chemung	\$16.14	\$17.08	5.8%	5.37%
Chenango	\$5.41	\$5.68	5.0%	10.16%
Clinton (4)	\$13.03	\$14.32	9.9%	8.85%
Columbia (1)	\$8.88	\$9.23	4.0%	10.37%
Cortland	\$7.33	\$7.79	6.3%	9.76%
Delaware	\$6.23	\$5.93	-4.8%	8.95%
Dutchess	\$47.11	\$46.08	-2.2%	7.25%
Erie (4)	\$200.66	\$211.43	5.4%	6.15%
Essex	\$6.61	\$6.62	0.2%	7.87%
Franklin (4)	\$5.63	\$5.91	4.8%	9.01%
Fulton	\$5.29	\$5.16	-2.6%	9.97%
Genesee	\$8.84	\$9.99	13.1%	18.45%
Greene	\$7.92	\$8.44	6.5%	10.99%
Hamilton	\$0.64	\$0.65	0.3%	7.33%
Herkimer (2)	\$7.10	\$7.93	11.6%	10.58%
Jefferson (4)	\$18.12	\$19.19	5.9%	6.98%
Lewis	\$2.66	\$2.86	7.3%	11.42%
Livingston	\$7.47	\$7.84	4.9%	13.58%
Madison	\$6.15	\$6.55	6.6%	8.04%
Monroe (6)	\$122.73	\$133.74	9.0%	6.33%
Montgomery	\$7.47	\$7.87	5.5%	15.93%
Nassau (7)	\$317.02	\$327.09	3.2%	5.23%
Niagara (4)	\$28.38	\$32.69	15.2%	6.88%

- 1 Lifted gas cap
- 2 Rate increase
- 3 Rate decrease
- 4 Canada effect
- 5 City no longer pre-empts
- 6 Amount includes Medicaid intercept
- 7 Amount includes NIFA intercept

Source: NYS Department of Tax and Finance

Sales Tax Collections

January – April 2007 and January – April 2008 (Millions)

County	January-April 2007	January-April 2008	Percent Change	Gas Sales as Percent of 2007 Local Taxes
Oneida (3)	\$37.29	\$36.17	-3.0%	6.91%
Onondaga	\$90.21	\$92.65	2.7%	6.11%
Ontario	\$19.34	\$21.19	9.5%	8.11%
Orange (1)	\$67.02	\$69.54	3.8%	7.38%
Orleans	\$3.87	\$4.62	19.2%	7.06%
Oswego (5)	\$8.83	\$10.20	15.5%	10.22%
Otsego	\$9.56	\$9.67	1.2%	8.85%
Putnam (2)	\$13.15	\$15.75	19.8%	9.95%
Rensselaer	\$19.02	\$21.27	11.8%	9.94%
Rockland (1)	\$51.35	\$57.25	11.5%	2.30%
St. Lawrence (4)	\$12.72	\$12.76	0.3%	8.18%
Saratoga (1)	\$28.22	\$30.00	6.3%	8.04%
Schenectady (1)	\$25.46	\$28.17	10.6%	7.37%
Schoharie	\$3.53	\$4.00	13.5%	9.65%
Schuyler	\$2.08	\$2.16	3.9%	10.11%
Seneca	\$5.36	\$5.41	1.0%	11.82%
Steuben	\$11.23	\$12.52	11.5%	11.55%
Suffolk	\$364.46	\$373.73	2.5%	5.92%
Sullivan (2)	\$9.11	\$10.30	13.0%	9.08%
Tioga	\$5.39	\$5.58	3.5%	9.62%
Tompkins	\$13.31	\$14.53	9.2%	6.68%
Ulster	\$30.30	\$30.49	0.6%	8.31%
Warren	\$12.09	\$12.59	4.1%	7.06%
Washington	\$4.68	\$5.26	12.5%	10.28%
Wayne	\$9.64	\$10.46	8.5%	10.39%
Westchester	\$145.22	\$152.85	5.3%	4.61%
Wyoming	\$3.96	\$4.46	12.6%	10.60%
Yates	\$2.57	\$2.43	-5.6%	8.06%
TOTAL	\$2,013.22	\$2,109.99	4.8%	8.62%

<ul style="list-style-type: none"> 1 Lifted gas cap 2 Rate increase 3 Rate decrease 4 Canada effect 5 City no longer pre-empts 6 Amount includes Medicaid intercept 7 Amount includes NIFA intercept 	<p>Source: NYS Department of Tax and Finance</p>
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