Signs of Recovery? Stabilizing Economy, Tax Increases Help Local Sales Tax Collections

- Local sales tax collections, including New York City, increased by 10.6 percent during the first half of 2010 compared to a 9.2 percent decline in the same period the year before. However, about half of this growth is due to sales tax rate increases and the extension of the sales tax to additional items in New York City and Nassau County. Adjusting for these tax increases, the growth in sales tax collections to date in 2010 has been about 5.3 percent, compared to the dismal performance in 2009 during which local collections statewide plunged 6.3 percent.

- New York City sales tax collections increased by 20.6 percent during the first half of 2010. This is a significant improvement over the 11.6 percent decline during the same period a year ago, although the increase was due in large part to changes to the sales tax rate and base. In August 2009, the City increased its sales tax rate by 0.5 percent to 4.5 percent and lifted the exemption on clothing and footwear over $110. The rate increase alone accounted for about half of the growth in New York City’s sales tax collections. Adjusting for the rate change, collections increased by about 10.3 percent.

- County sales tax collections outside New York City grew by 3.7 percent in the first half of 2010, as compared to a 6.9 percent decline during the same period in 2009. Collections grew by 1.3 percent in the first quarter, and accelerated...
to 6.2 percent in the second quarter. The first two quarters of 2010 are the first quarters with year-over-year growth since the third quarter of 2008.

More than half of the total statewide increase in county sales tax collections outside New York City – $65 million of $115 million – occurred in the Long Island region. Notably, Nassau County had a 9.7 percent increase over the first half of 2010, although over half of that was due to a new residential energy tax (this tax was repealed as of June 1, 2010).

Every region but two had significant increases in sales tax collections during the first half of 2010 compared to the first half of 2009. Collections in Western New York declined slightly and collections in the Capital District were essentially flat.

Nevertheless, sales tax collections still declined in 22 counties. Particularly steep declines in Tioga and Seneca counties were due in large part to technical adjustments by the State Department of Taxation and Finance.

Much of Chemung County’s strong 10.9 percent growth was due to one large vendor filing. Jefferson County’s similar growth was largely due to technical adjustments.

While the overall sales tax picture for local governments is positive for the first half of 2010, cash collections in New York State still have a long way to go before they regain pre-recession levels.

Even with recent increases, county sales tax collections are still well below levels seen just before the current recession. Collections for the twelve months ending June 2010 were a little over $6.3 billion, compared with a peak of $6.7 billion for the twelve months ending in October 2008. Prior to the recession, the last time collections were at this level was in the twelve months ending in March 2007.

* - Counties that share sales tax revenues with local governments.
Source: Department of Taxation and Finance, Office of Tax Policy Analysis, Sales Tax Cash Distribution Database; additional calculations by the Office of the State Comptroller. Numbers not adjusted for tax rate or tax law changes.