Local Sales Tax Collections Increase by 3.3 Percent in 2012
Signaling Slower Economic Growth in New York

Local sales tax collections grew by $450 million, or 3.3 percent, from 2011 to 2012. This is less than the growth rates of 5.0 percent in 2011 and 9.9 percent in 2010, and is below the 15-year average annual growth rate of 4.4 percent.

After the 2001 recession, some growth in sales tax collections was attributable to increases in the sales tax rate. However, since the 2008-09 recession, there have been very few rate increases, which helps explain why growth was faster after the 2001 recession than the 2008-09 recession.

Between 2001 and 2004, 28 counties and 4 cities increased their sales tax rates. In contrast, New York City and Ontario County increased their sales tax rates in 2009, and the City of White Plains did so in 2010. No local government has increased its sales tax rate since. Several counties, including Chautauqua, Essex, Rockland, St. Lawrence, and Saratoga, have attempted to increase their rates, but those requests were not approved by the State Legislature. Local governments also currently have to obtain periodic permission from the State to maintain their additional rates over 3 percent. The 2013-14 Executive Budget proposes that the local governments be authorized to renew these additional rates on their own.

Figure 1

Percentage Change in Local Sales Tax Collections

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.

1 Figure includes local sales tax collections for counties, cities (outside New York City) that pre-empt, and New York City.
Sluggish growth in sales tax revenues adds additional pressure to already strained county budgets and to the budgets of other local governments that receive sales tax revenues through sharing agreements. In an effort to support growing expenditures, while at the same time mitigating the pressure on the property tax, counties’ overall reliance on the sales tax (as a share of total revenues) grew from 23.4 percent to 31.7 percent between 2001 and 2011. In contrast, counties’ reliance on property tax revenues grew only slightly, from 21.3 percent to 23.3 percent. Reliance on other sources of revenue declined over the period.

In 2012, the rate of growth in county sales tax collections slowed for four straight quarters. Collections grew by 6.0 percent in the fourth quarter of 2011 but the growth rate has declined steadily since, falling to 1.6 percent by the fourth quarter of 2012. The rate of growth in New York City in 2009 and 2010 was affected by a city rate increase from 4 percent to 4.5 percent and by the elimination of the exemption on clothing and footwear over $110.
The lower growth rate of sales tax collections in the fourth quarter of 2012 was driven in part by activity in two regions. Collections in the Southern Tier were boosted in 2011 by purchases related to recovery from Tropical Storm Lee, and the 2012 decline reflects a post-recovery slowdown of sales. Likewise, Long Island’s 1.1 percent growth in the fourth quarter of 2012 was likely depressed by the immediate economic effects of Hurricane Sandy. Stimulative effects from the recovery are expected to more fully appear in the early quarters of 2013.

New York City sales tax collections grew by $200 million, or 3.5 percent in 2012, compared to growth of 6.1 percent in 2011. Outside New York City, county sales tax collections grew by $220 million, or 3.3 percent in 2012, compared to a 4.1 percent growth rate in 2011.

For the full 2012 calendar year, sales tax collections grew in every region of the State. The strongest growth was in Central New York and the North Country, with collections increasing by 4.3 percent in each region. The weakest growth of 2.5 percent occurred in Western New York and in the Mid-Hudson at 2.7 percent.
Wyoming County had the largest growth in sales tax collections in 2012, at 10.8 percent. Four counties had declining sales tax collections in 2012 – Chemung (-1.8 percent), Schuyler (-1.8 percent), Essex (-0.4 percent) and Schoharie (-0.3 percent). Notably, in Chemung, Schoharie and Schuyler counties, 2011 collections had been inflated by the recovery from Tropical Storm Lee, and 2012 collections reflect decreasing sales compared to the higher levels seen in 2011.