



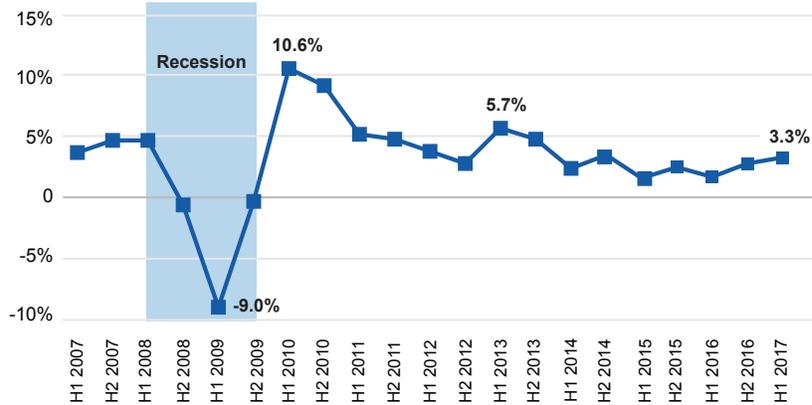
First Half of 2017: Local Sales Tax Growth Ticks Up Statewide

Statewide and Regional Picture

For the first half of calendar year 2017, local sales tax collections were \$8.0 billion, a 3.3 percent increase over the same period last year.¹ This is a slight improvement over the last several half-year periods. (See Figure 1.) Every region experienced growth, with only the Capital District and Mid-Hudson regions registering less than 3.0 percent. This is different from recent years, when collections in many upstate regions were quite weak. (See Figures 2 and 3.)

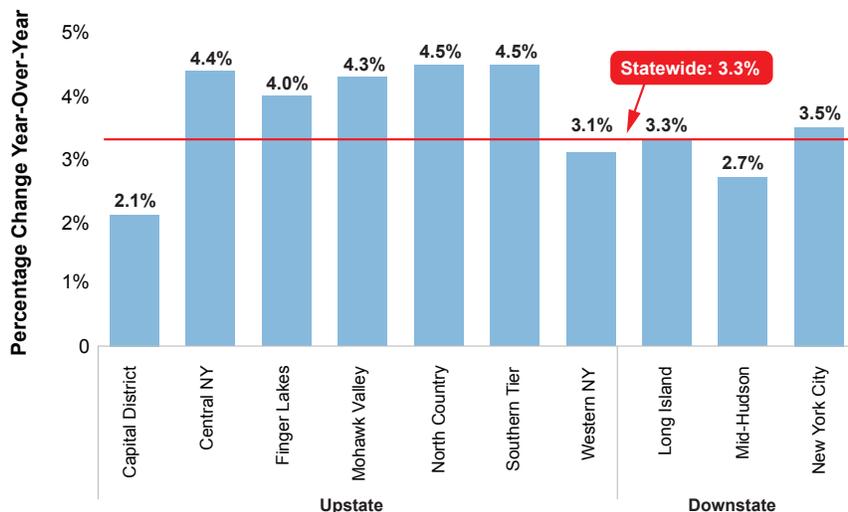
Downstate, New York City had 3.5 percent growth, better than its growth in the first half of 2016.² Long Island's 3.3 percent growth is an even more substantial improvement over last year. The size of that increase was driven by 4.0 percent growth in Suffolk County, which has had relatively weak collections until recently.

Statewide, economic factors supporting these results include continued low unemployment and high consumer confidence.³ Sales taxes were also boosted by



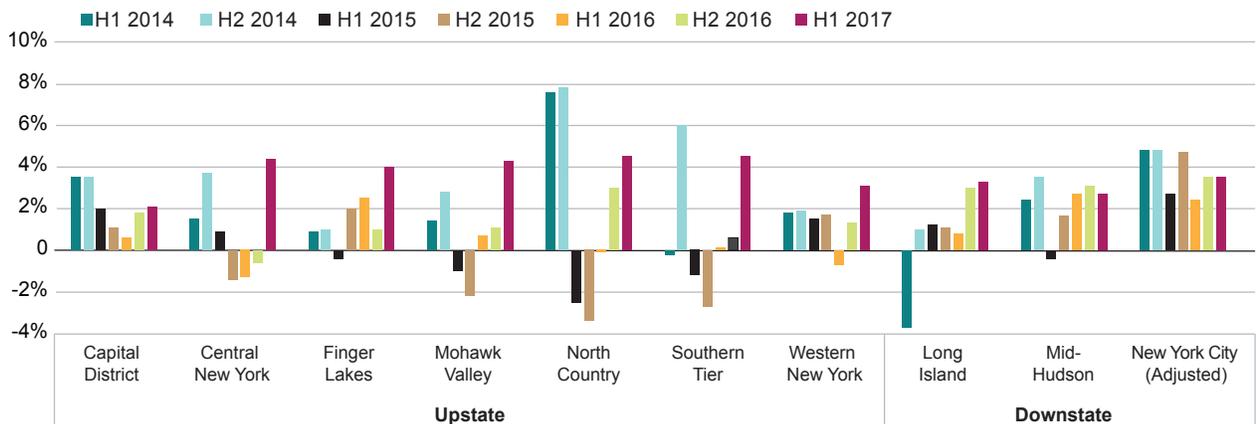
Sources: New York State Department of Taxation and Finance, with calculations by the Office of the New York State Comptroller (OSC). Adjusted for a correction adding \$238 million to collections for New York City in the second half of 2015. Throughout this report, H1 and H2 refer to the first and second halves of the calendar year, respectively.

FIGURE 1: Year-Over-Year Percentage Change in Local Sales Tax Collections by Half-Year



Source: New York State Department of Taxation and Finance with OSC calculations. Includes county and city sales taxes.

FIGURE 2: Change in Local Sales Tax by Region January-June 2016 to January-June 2017



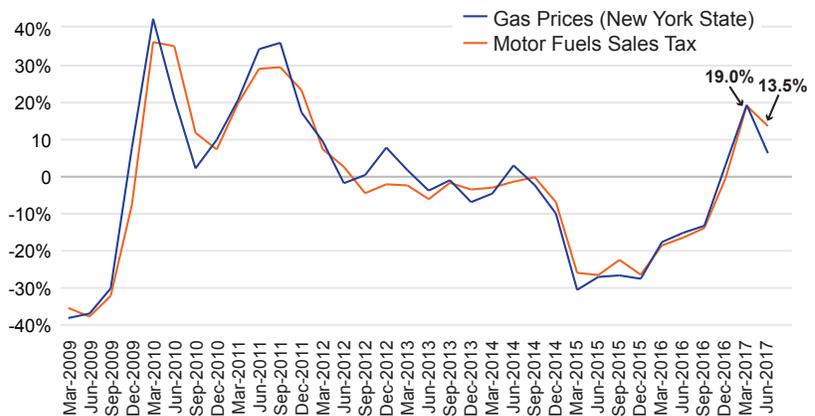
Sources: New York State Department of Taxation and Finance with OSC calculations. Includes county and city sales taxes. New York City's figures adjust for a one-time correction in the fourth quarter of 2015 that added \$238 million to the City's collections for that period.

FIGURE 3: Year-Over-Year Change in Local Sales Tax by Half-Year and Region

growth in collections from sales of motor fuels. They rose 19.0 percent in the first quarter of 2017 compared to the same period in 2016, and another 13.5 percent in the second quarter. As Figure 4 shows, this increase tracked the recent rise in gasoline prices, from an average price of \$2.14 per gallon in the first quarter of 2016 to \$2.55 in the first quarter of 2017, and \$2.58 by the second quarter of 2017.⁴ Sales tax collections from motor fuels represent a higher percentage of total sales tax collections in most upstate counties than they do downstate, possibly reflecting more readily available public transportation downstate.⁵

Historical Perspective

While an improvement over recent years, 3.3 percent growth is still relatively modest compared with increases seen before the Great Recession. Between 1996 and 2006, the compound annual growth rate for sales tax collections statewide was 5.3 percent. Over the next 10 years, growth slowed to a rate of 3.0 percent, with a similar spread in rates after adjusting for inflation.⁶ (See Figure 5.)



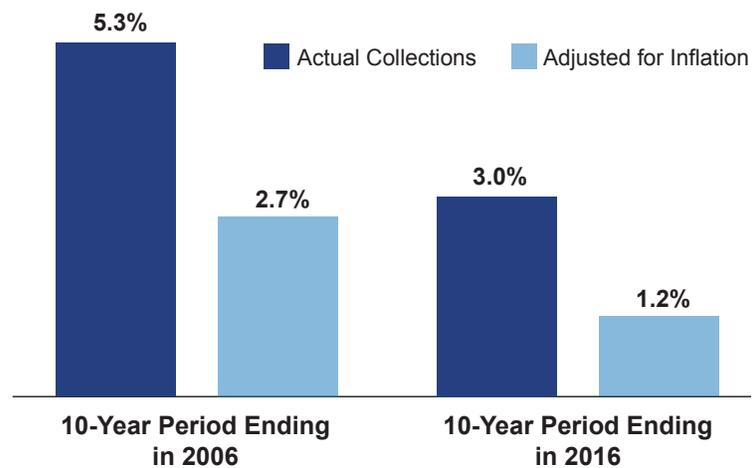
Sources: New York State Department of Taxation and Finance and United States Department of Energy, Energy Information Administration with OSC calculations. Quarterly gas price changes are based on an average of monthly prices.

FIGURE 4: Year-Over-Year Change in New York State Gas Prices and Motor Fuels Sales Tax Collections by Quarter

Internet Sales and Tax Collections

Some of the long-term slowing in sales tax collections may be attributable to a shift in consumer patterns. One such shift has been the growth of online sales, many of which are not subject to state and local sales taxes where the sellers have no physical presence. New York and other states have been working to address this challenge with partial success. Several large

online merchants are now required to collect New York State and local sales taxes. However, many smaller sellers are not, including some that sell their products through major online marketplaces.



Sources: New York State Department of Taxation and Finance and U.S. Department of Labor, Bureau of Labor Statistics, with calculations by OSC. The Consumer Price Index (national, all urban consumers) was used to adjust for inflation.

FIGURE 5: Local Sales Tax Collections, Compound Annual Growth Rates

Shopping Malls Struggle

Competition from online providers has also posed a threat to brick-and-mortar establishments, especially in certain retail sectors. The shift from in-store purchasing to internet sales has had a particularly strong impact on department stores and apparel and footwear retailers. Online transactions account for 20 and 17 percent of total sales for those sectors, respectively.⁷ Some retail chains have been responding by closing a number of their stores, many of which are located in malls.⁸

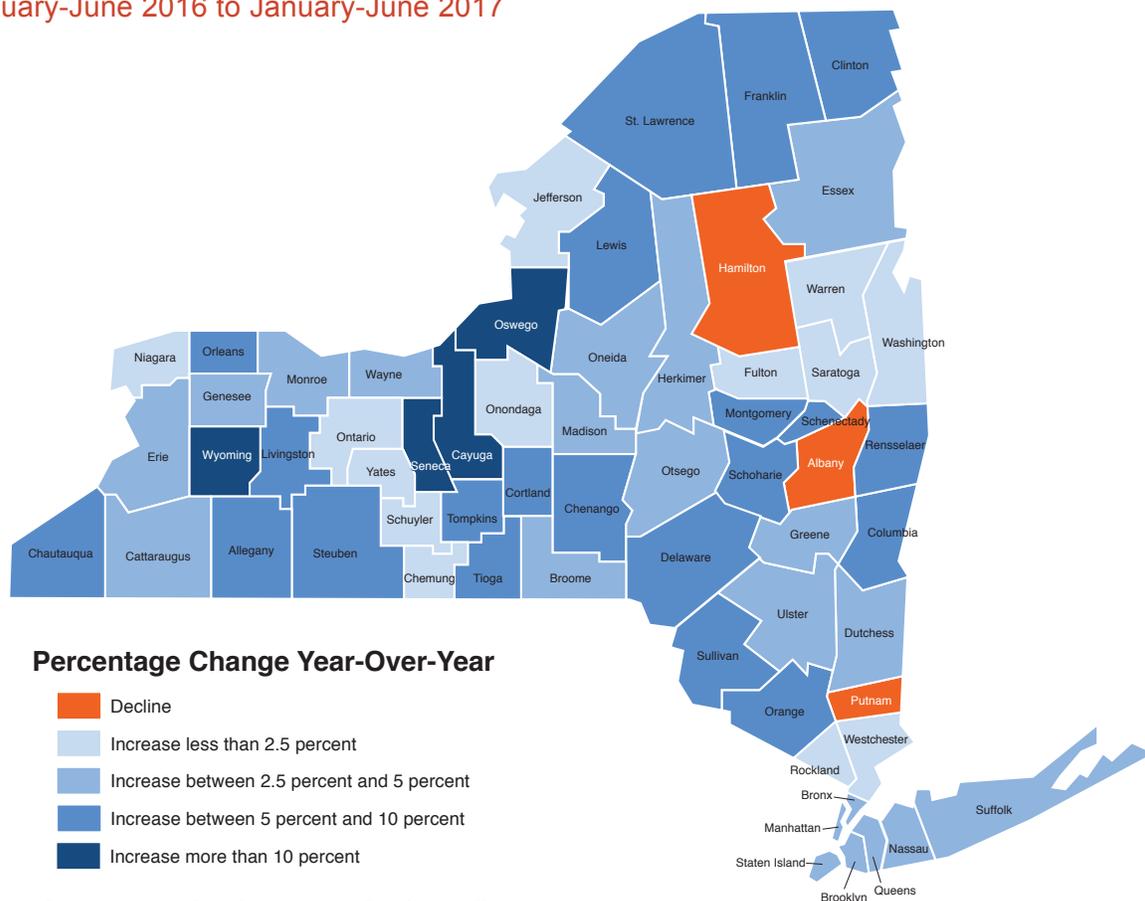
If malls begin to have more trouble renting space, the resulting losses could potentially further compromise local sales tax and even property tax revenue. For example, after it lost two anchor stores, the Hudson Valley Mall near Kingston defaulted on a \$49.1 million loan in 2015 and was put into receivership. It later sold for roughly \$9.4 million, a fraction of its \$66 million 2015 property tax assessment, which the new owners are seeking to lower to \$8.1 million for 2016. This reduction would lower the property tax bases of the Town of Ulster, Ulster County and the Kingston City School District.⁹

County Collections

As Figure 6 shows, in the first half of 2017, sales tax collections grew in 54 of the 57 counties outside of New York City. The strongest growth was in Oswego County at 16.7 percent. Cayuga (15.1 percent), Wyoming (12.4 percent), and Seneca (10.8 percent) counties also had strong growth. Much of the growth in Oswego County was due to technical adjustments.¹⁰ Given the relatively small size of total sales taxes collected by these counties in a year, even modest shifts in dollar amounts can result in large year-over-year percentage changes.

Only three counties had declines when compared to the first half of 2016: Hamilton (3.9 percent), Putnam (2.8 percent) and Albany (1.5 percent). Part of the decrease in Putnam County's collections was due to a technical adjustment in the first quarter. In Albany County, competition from recent big box retail expansion in surrounding counties may be reducing retail traffic within the county. (For a list of county and city sales tax collections, please see Appendix on page 6.)

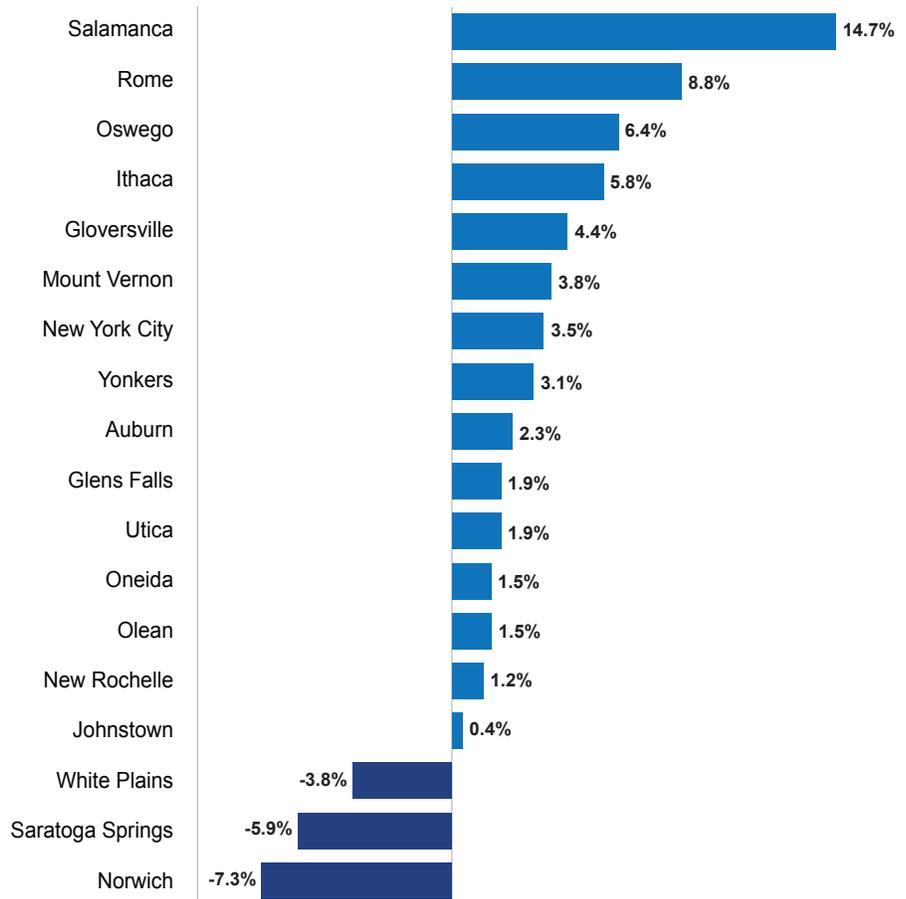
FIGURE 6: Change in County Sales Tax Collections
January-June 2016 to January-June 2017



Source: New York State Department of Taxation and Finance.
Note: Includes county and New York City collections.

City Collections

Several New York cities impose their own sales tax, rather than receiving a share of their county's collections. Since these amounts tend to be even smaller than those of most counties (with the notable exception of New York City), very modest dollar shifts can result in large percentage changes. For example, Salamanca had the strongest growth among cities at 14.7 percent, but the total dollar amount of the increase was less than \$43,000. Similarly, while Norwich experienced the greatest year-over-year percentage decline in sales tax collections, at 7.3 percent, its total collections were just a little more than \$57,000 short of the prior year's first half.



Sources: New York State Department of Taxation and Finance with OSC calculations.

FIGURE 7: Change in City Sales Tax Collections
January-June 2016 to January-June 2017

Even larger cities are subject to fluctuations. Saratoga Springs' decline of 5.9 percent was largely due to a technical adjustment affecting the second quarter.

Appendix: County and City Sales Tax Collections, First Half 2016 and 2017

County	First Half 2016	First Half 2017	Year-Over-Year Percentage Change	City	First Half 2016	First Half 2017	Year-Over-Year Percentage Change
Albany	\$127,134,087	\$125,181,310	-1.5%	Auburn	\$4,141,289	\$4,236,249	2.3%
Allegany	9,055,211	9,689,620	7.0%	Glens Falls	1,448,490	1,476,089	1.9%
Broome	59,011,867	61,385,145	4.0%	Gloversville	1,617,166	1,688,617	4.4%
Cattaraugus	17,126,133	17,702,192	3.4%	Ithaca	5,130,030	5,429,292	5.8%
Cayuga	16,217,183	18,661,544	15.1%	Johnstown	1,830,769	1,838,614	0.4%
Chautauqua	29,046,613	30,533,194	5.1%	Mount Vernon	9,237,841	9,591,245	3.8%
Chemung	27,450,654	28,091,654	2.3%	New Rochelle	13,595,427	13,755,837	1.2%
Chenango	10,281,218	11,065,287	7.6%	New York City	3,481,889,540	3,603,120,939	3.5%
Clinton	24,290,328	25,639,872	5.6%	Norwich	788,856	731,529	-7.3%
Columbia	17,645,756	18,731,319	6.2%	Olean	2,019,659	2,050,240	1.5%
Cortland	13,612,028	14,313,312	5.2%	Oneida	2,316,362	2,351,777	1.5%
Delaware	9,793,665	10,358,414	5.8%	Oswego	6,573,361	6,994,372	6.4%
Dutchess	85,819,368	88,958,516	3.7%	Rome	3,410,345	3,710,704	8.8%
Erie	358,700,968	369,274,674	2.9%	Salamanca	289,896	332,481	14.7%
Essex	12,221,726	12,714,674	4.0%	Saratoga Springs	5,373,422	5,054,272	-5.9%
Franklin	9,838,108	10,530,543	7.0%	Utica	4,853,462	4,943,625	1.9%
Fulton	9,674,474	9,906,649	2.4%	White Plains	24,693,082	23,747,641	-3.8%
Genesee	17,522,082	18,016,121	2.8%	Yonkers	42,952,655	44,271,886	3.1%
Greene	14,216,714	14,851,909	4.5%	City Total	\$3,612,161,653	\$3,735,325,409	3.4%
Hamilton	1,356,898	1,303,779	-3.9%	Other Local	525,149,436	535,930,485	2.1%
Herkimer	13,971,643	14,647,130	4.8%	Total Local	\$7,759,447,089	\$8,015,420,395	3.3%
Jefferson	34,640,340	35,246,594	1.8%				
Lewis	5,502,394	5,798,014	5.4%				
Livingston	14,241,882	15,154,704	6.4%				
Madison	12,666,196	13,153,400	3.8%				
Monroe	228,575,986	236,964,100	3.7%				
Montgomery	13,420,878	14,287,829	6.5%				
Nassau	547,503,256	561,783,233	2.6%				
Niagara	55,981,009	57,375,753	2.5%				
Oneida	63,940,452	66,547,825	4.1%				
Onondaga	161,702,678	164,535,330	1.8%				
Ontario	37,968,546	38,541,677	1.5%				
Orange	126,444,734	133,166,278	5.3%				
Orleans	7,449,889	8,082,896	8.5%				
Oswego	19,705,698	23,003,849	16.7%				
Otsego	16,485,862	16,963,245	2.9%				
Putnam	28,963,747	28,140,406	-2.8%				
Rensselaer	38,637,223	40,869,765	5.8%				
Rockland	101,390,184	103,291,456	1.9%				
St. Lawrence	26,110,745	27,760,755	6.3%				
Saratoga	55,672,569	56,659,022	1.8%				
Schenectady	46,598,775	50,464,223	8.3%				
Schoharie	6,783,674	7,158,705	5.5%				
Schuyler	4,513,189	4,561,259	1.1%				
Seneca	10,611,655	11,761,380	10.8%				
Steuben	24,660,878	25,961,822	5.3%				
Suffolk	632,426,423	657,421,282	4.0%				
Sullivan	17,219,730	18,181,064	5.6%				
Tioga	9,525,365	10,050,818	5.5%				
Tompkins	22,817,286	24,352,529	6.7%				
Ulster	52,653,641	54,929,547	4.3%				
Warren	22,654,837	23,022,177	1.6%				
Washington	9,340,780	9,401,896	0.7%				
Wayne	19,902,972	20,719,461	4.1%				
Westchester	248,378,272	253,263,253	2.0%				
Wyoming	7,792,231	8,758,946	12.4%				
Yates	5,265,302	5,273,148	0.1%				
County Total	\$3,622,136,000	\$3,744,164,501	3.4%				

Source: New York State Department of Taxation and Finance with OSC calculations.

¹ Unless otherwise noted, all sales tax collections data in this report are taken from the New York State Department of Taxation and Finance's AS570 reports. The AS570 reports distributions, which are called collections in this report. The rates shown in Figure 1 have been adjusted for a major multi-year technical correction to New York City's collections in 2015. For a more thorough discussion of this adjustment, see OSC, *2016 Local Sales Tax Collections*, (January 31, 2017), www.osc.state.ny.us/reports/economic/2016-local-sales-tax-collections.pdf.

² This adjusts for the multi-year correction mentioned above.

³ See U.S. Department of Labor, Bureau of Labor Statistics, <https://www.bls.gov/lau/> for State and regional unemployment rates. Consumer confidence is measured by several entities, including the Conference Board, www.conference-board.org/data/consumerconfidence.cfm, the University of Michigan, www.sca.isr.umich.edu/ and Gallup, www.gallup.com/poll/214430/confidence-economy-remains-slightly-positive.aspx?g_source=ECONOMY&g_medium=topic&g_campaign=tiles.

⁴ United States Department of Energy, Energy Information Administration, www.eia.gov.

⁵ OSC analysis of data from the New York State Department of Taxation and Finance.

⁶ The U.S. Bureau of Economic Analysis' Consumer Price Index for the U.S., all urban consumers was used to adjust for inflation. No adjustments were made for changes in sales tax rates.

⁷ Robard Williams, et al, Moody's Investors Service, "Credit Trends in US Retail and Related Sectors," (teleconference, June 21, 2017), slide 16. E-commerce penetration is highest for office supply stores (50 percent) and auto parts retailers (30 percent). In contrast, supermarkets were at 1 percent, making Amazon's plan to acquire Whole Foods the subject of a great deal of interest.

⁸ Hayley Peterson, "The Retail Apocalypse Is Having a Terrifying Impact on One Corner of Wall Street," Business Insider, April 10, 2017, www.businessinsider.com/mall-investors-battered-by-stores-shutting-hurting-cmbs-market-2017-4.

⁹ William J. Kemble, "Hudson Valley Mall Property Assessment Expected to Drop by 90%," Daily Freeman News, June 28, 2017, www.dailyfreeman.com/general-news/20170628/hudson-valley-mall-property-assessment-expected-to-drop-by-90.

¹⁰ As used in this report, the term "technical adjustments" refer to any of a number of collection or distribution corrections made by the Department of Taxation and Finance that are not related to current economic activity, such as late filings or errors caught on later audit. See Department of Taxation and Finance, *AS310 – Quarterly Cash and Collection Distributions with Variances for Assessments, Late-Filed Returns, Rate Adjustments and Prior Period Adjustments*, www.tax.ny.gov/research/stats/statistics/sales_tax/government/as310.htm.

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