



ULSTER COUNTY MID-YEAR SALES TAX REPORT

Office of the
Ulster County Comptroller
March S. Gallagher



2020

Ulster County Sales Tax Mid-Year Update

With the economic impact of the COVID pandemic both on County finances and local businesses, the Ulster County Comptroller's Office provides this mid-year update on sales tax. This report includes information on:

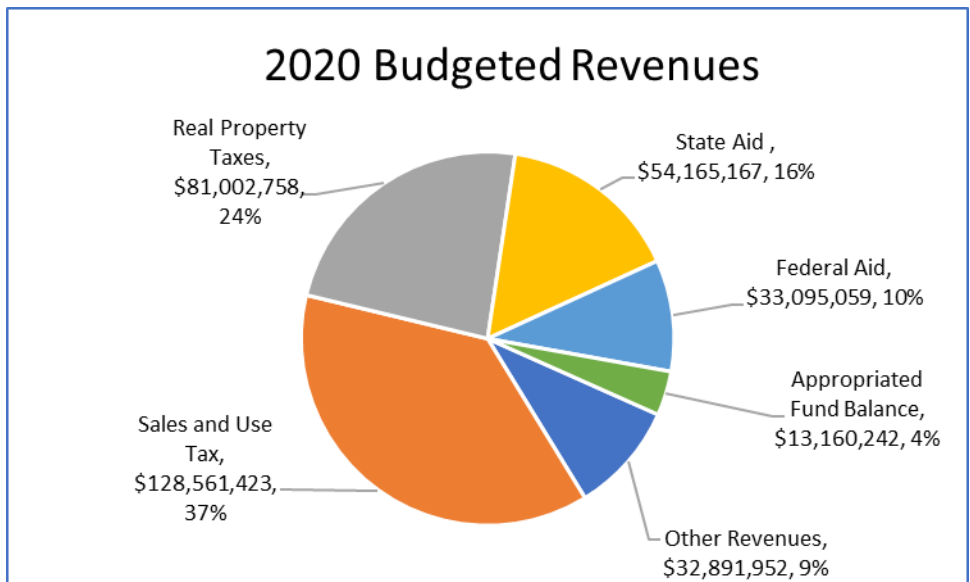
- receipts from New York State
- disbursements to the taxing jurisdictions
- those industry categories that provide significant taxable sales for the county

We hope that this information will help residents, government leaders and businesses.

Sales Tax Revenue is Significant Budgeted Revenue for Ulster County

The Ulster County sales tax rate is 8%. It is a general sales and consumption use tax, which is levied on all taxable retail sales within the County. How is the Ulster County sales tax allocated? Of the total 8% tax collected by the State of New York, 4% is retained as State revenue and 4% is returned to the County. In Ulster, the county tax base rate is 3%; however, the County traditionally receives authorization to levy an additional 1%.

Historically and currently, 85.5% is kept by the County while the additional 14.5% is divided among the towns and the City of Kingston in accordance with the terms of the present sales tax sharing agreement that is set to expire at the end of February 2023. The City of Kingston receives 11.5% of the revenue with the remaining 3% split among the twenty municipalities based on their equalized value.



As Ulster County and the City of Kingston have recently reached a new sales tax sharing agreement, and the current additional local sales tax of 1% has been extended, it is a good time to take stock of this important revenue source. More importantly, examination of how certain industries have been impacted by the pandemic and changes to the marketplace provider (otherwise known as internet) sales tax can help not only county officials but private businesses plan for the future.

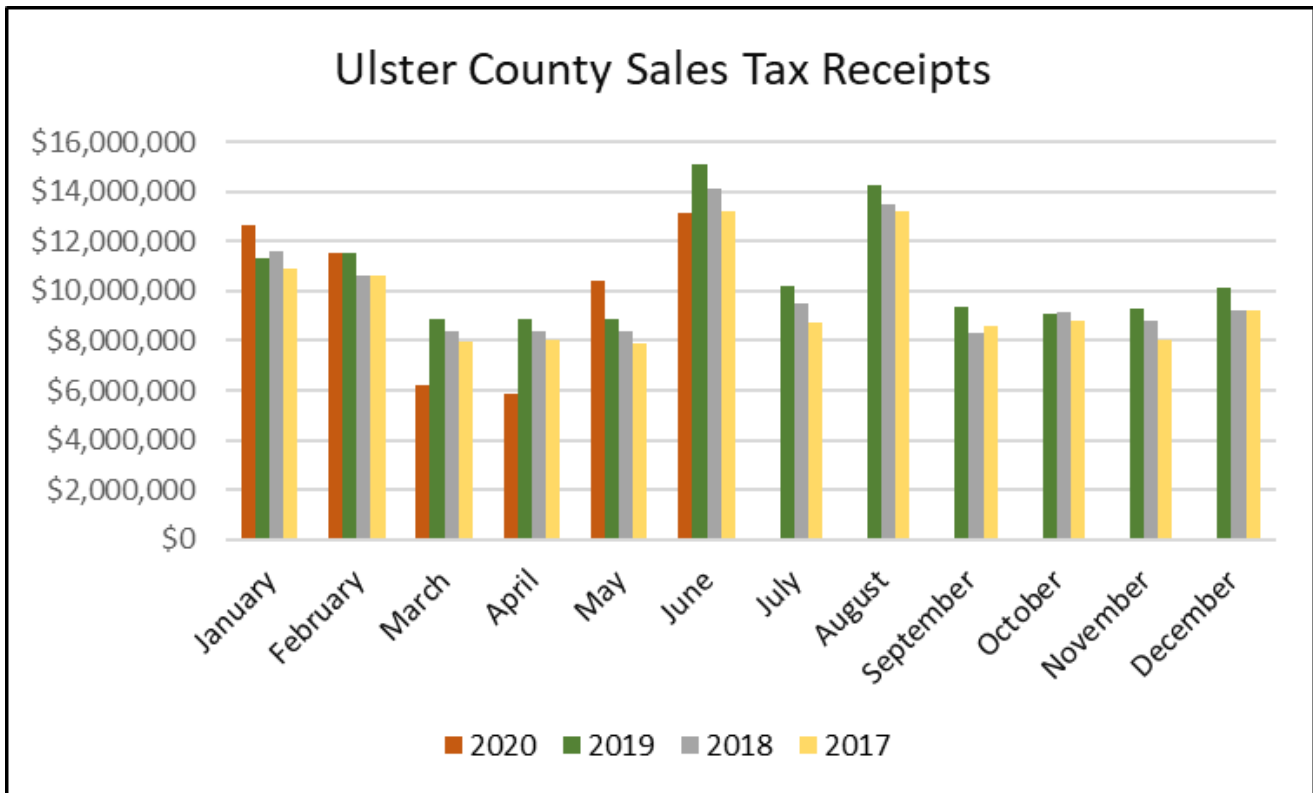
Sales Tax is a sizeable portion of Ulster County's \$342 million 2020 budget. Thirty-seven percent of the budget is made up of sales tax.

Sales Tax Distributions Are Received from the State Throughout the Year

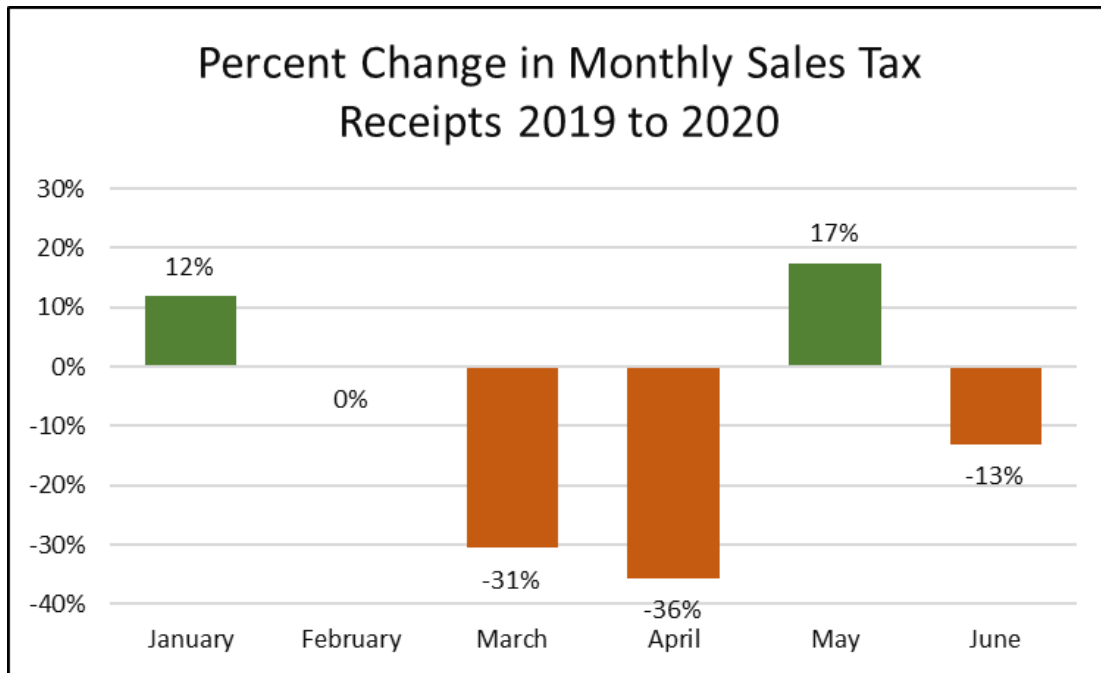
Sales tax comes from the State as multiple payments each month throughout the course of the year. The County typically receives two payments each month except for January, June and December which have three payments. The County receives sales taxes roughly two months after they are collected by retailers.

The chart below shows payments by month over the last 42 months (2017, 2018, 2019 and half of the year for 2020). In the current year, only the May 2020 payments exceeded the same month for the prior year. Our office hypothesizes that increase was a combined result of pent up demand for automobile sales and reduced state sales tax disbursements in April.

Very few car sales occurred between mid-March and the end of April so there was pent up consumer demand in May. Automobile sales is 11% of all taxable sales in Ulster County and is the top driver for sales tax. We analyzed our taxable sales by industry in a very early March 2020 report on [potential revenue impacts from COVID](#). As of June 30, 2020, Ulster County's sales tax receipts were trailing mid-year budgeted revenue by \$4,550,640 or 7.08%. Although the county originally anticipated a 17% decline in sales tax receipts for the year, we may see revenues better than that. The first two months of the year were strong so that payments received for January and February were up year-over-year by 5.84%.



Further evaluation of which industries provide the bulk of sales tax revenue as well as pandemic impacts on those industries requires examining the total Ulster County taxable sales in each categories.



April 2020 has seen the most impacted sales tax revenue distributions from the state while May rebounded.

Historic Top Ulster County Sales Tax Drivers: Automobiles, Gas and Dining Out

NYS releases industry code information data for taxable sales but this data lags by several months. As you can see from this table below, which lists the top 10 taxable sales generating industry codes, most industries experienced steady growth over the last several years with very sizable increases for traveler accommodations and restaurants.

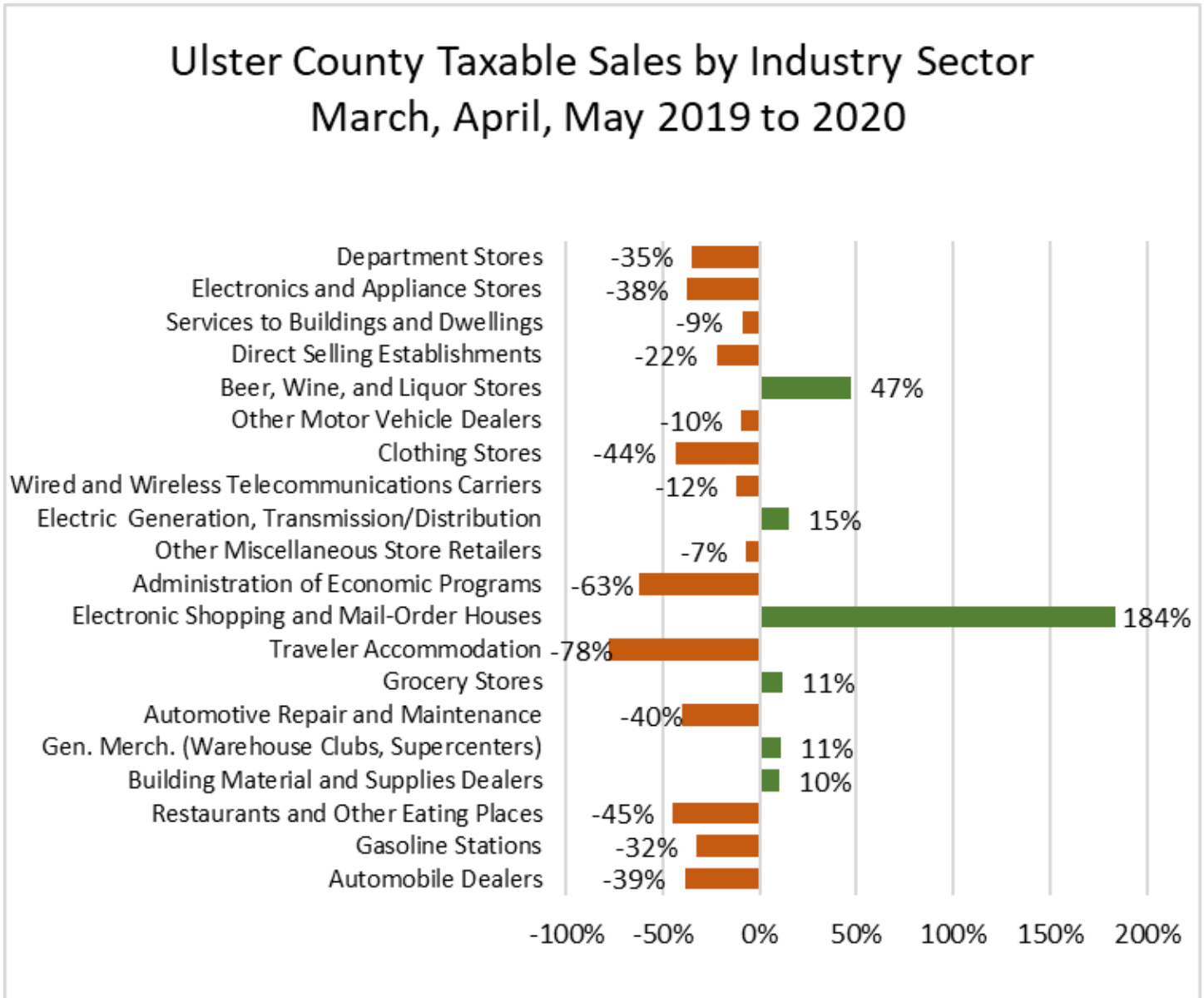
| Taxable Sales 2016-2020 | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | % change |
|---|------------------------|------------------------|------------------------|-------------------------|------------|
| Automobile Dealers | \$331,292,699 | \$334,254,596 | \$327,188,472 | \$344,169,712 | 4% |
| Gasoline Stations | \$248,153,504 | \$275,448,526 | \$319,418,127 | \$313,994,946 | 27% |
| Restaurants and Other Eating Places | \$244,833,870 | \$255,494,330 | \$266,587,451 | \$281,246,082 | 15% |
| Building Material and Supplies Dealers | \$174,428,766 | \$181,549,576 | \$194,109,410 | \$203,706,327 | 17% |
| General Merchandise Stores (Warehouse & Supercenters) | \$170,206,772 | \$175,703,185 | \$175,022,966 | \$165,576,059 | -3% |
| Traveler Accommodation | \$115,461,839 | \$120,234,852 | \$128,116,554 | \$133,465,878 | 16% |
| Automotive Repair & Maintenance | \$98,632,038 | \$103,902,510 | \$111,406,326 | \$113,568,658 | 15% |
| Grocery Stores | \$95,696,206 | \$96,241,946 | \$99,174,280 | \$100,406,570 | 5% |
| Electronic Shopping & Mail-Order Houses | \$61,826,981 | \$69,729,471 | \$82,025,129 | \$144,713,494 | 134% |
| Administration of Economic Programs | \$59,107,944 | \$65,593,724 | \$71,386,265 | \$78,276,996 | 32% |
| TOTALS | \$1,599,640,619 | \$1,678,152,716 | \$1,774,434,980 | \$1,879,124,722. | 17% |

Certain Industries Severely Impacted by COVID

The pandemic has had significant impacts in certain industries some positive but most negative. Although industry data usually lags by six months or more, NYS released this information early because of the pandemic. As a result, we have industry code data for the period March, April, and May of 2020. The data shows some sectors were up given the changes in consumer buying patterns and these include online purchases, big box retail (which remained open), building materials (people making home improvements and construction considered essential) and grocery (more people are eating at home). Comparing the first quarter of the 2019-2020 tax year to the first quarter of the 2020-2021 tax year is instructive. The first quarter includes March, April and May so most of the quarter was impacted by the pandemic.

| Taxable Sales for Q1 (March, April, May) 2019 to 2020 | 2019-2020 | 2020-2021 | % decline |
|--|------------------|------------------|------------------|
| Automobile Dealers | \$88,339,536 | \$53,965,130 | -39% |
| Gasoline Stations | \$78,969,504 | \$53,366,455 | -32% |
| Restaurants and Other Eating Places | \$66,798,876 | \$36,790,607 | -45% |
| Building Material and Supplies Dealers | \$53,238,742 | \$58,650,543 | 10% |
| General Merchandise Stores (Warehouse Clubs & Supercenters) | \$39,225,391 | \$43,530,297 | 11% |
| Automotive Repair and Maintenance | \$28,607,880 | \$17,140,688 | -40% |
| Grocery Stores | \$25,659,460 | \$28,565,605 | 11% |
| Traveler Accommodation | \$24,179,785 | \$5,206,802 | -78% |
| Electronic Shopping and Mail-Order Houses | \$21,631,580 | \$61,328,321 | 184% |
| Administration of Economic Programs | \$19,811,477 | \$7,412,293 | -63% |
| Other Miscellaneous Store Retailers | \$18,713,798 | \$17,433,545 | -7% |
| Electric Power Generation, Transmission and Distribution | \$18,143,285 | \$20,937,718 | 15% |
| Wired and Wireless Telecommunications Carriers | \$16,746,884 | \$14,743,675 | -12% |
| Clothing Stores | \$12,935,630 | \$7,271,230 | -44% |
| Other Motor Vehicle Dealers | \$11,846,737 | \$10,704,785 | -10% |
| Beer, Wine, and Liquor Stores | \$11,647,660 | \$17,126,895 | 47% |
| Direct Selling Establishments | \$11,296,864 | \$8,762,702 | -22% |
| Services to Buildings and Dwellings | \$9,483,551 | \$8,620,089 | -9% |
| Electronics and Appliance Stores | \$7,669,208 | \$4,766,590 | -38% |
| Department Stores | \$7,291,229 | \$4,729,669 | -35% |
| | \$572,237,077 | \$481,053,639 | -16% |

Seeing a visual representation of this data allows you to see the breadth of the change. Administration of Programs, which is primarily taxable sales at the Belleayre Ski Resort, and Traveler Accommodations were the hardest hit sectors in the top ten. Grocery was up probably taking from Restaurants. Also increased were Building Materials as well as Warehouse & Superstores. All sectors associated with driving were down because few people were on the road during the first phase of the pandemic.



Retail stores that line Ulster County’s main streets have been particularly hard and these include miscellaneous retailers, restaurants, clothing stores, as well as electronics and appliance stores. One area with noticeable increase is Electronic Shopping discussed more thoroughly below.

Sales Tax from Internet Sales Has Increased Significantly

Electronic Shopping and Mail-Order Houses saw a significant increase in taxable sales in the latter half of 2019 as a result of New York State legislation known as the Marketplace Provider Tax. The Tax Law was amended to require marketplace providers to collect sales tax on taxable sales of tangible personal property that they facilitate for marketplace sellers for sales made on or after June 1, 2019.

| | TAXABLE SALES | 2017-2018 | 2018-2019 | change | 2019-2020 | change | 2020-2021 | change |
|----|----------------------|------------------|------------------|---------------|------------------|---------------|------------------|---------------|
| Q1 | March - May | \$14,700,727 | \$17,388,257 | 18% | \$21,631,580 | 24% | \$61,328,321 | 184% |
| Q2 | June - August | \$16,104,605 | \$19,372,534 | 20% | \$25,389,450 | 31% | | |
| Q3 | September - November | \$18,185,006 | \$22,289,907 | 23% | \$44,424,697 | 99% | | |
| Q4 | December - February | \$20,739,133 | \$22,974,431 | 11% | \$53,267,767 | 132% | | |
| | Total for the Year | \$69,729,471 | \$82,025,129 | 18% | \$144,713,494 | 76% | | |

Even before the pandemic we were seeing significant increases in sales tax collected from marketplace providers.



Ulster County Makes Sales Tax Distributions to the City and Towns

The County makes sales tax distributions to the City of Kingston and the towns on a regular basis. The City will often be paid within days of a receipt from the state. Towns are usually paid on a quarterly basis. The allocation is based on the place of the taxable sales upon the sales tax agreement between Ulster County and the City of Kingston. The Agreement was just re-executed and keeps the proportions the same until 2023. Here is a summary of the distributions of sales tax to municipalities from 2016 though 2019. City of Kingston is the largest recipient under our sales tax agreement under which they receive 11.5% with another 3 % shared to the towns based on their property value.

| Municipal Distributions | 2019 | 2018 | 2017 | 2016 |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|
| City of Kingston | \$13,990,667 | \$13,700,054 | \$13,338,920 | \$13,034,814 |
| Saugerties | \$343,215 | \$309,564 | \$285,758 | \$284,930 |
| Woodstock | \$331,560 | \$292,892 | \$268,528 | \$268,956 |
| Ulster | \$286,282 | \$257,797 | \$252,691 | \$252,678 |
| Olive | \$281,002 | \$260,741 | \$243,878 | \$245,010 |
| New Paltz | \$265,801 | \$248,719 | \$232,062 | \$231,524 |
| Lloyd | \$240,104 | \$222,254 | \$207,711 | \$209,018 |
| Wawarsing | \$218,080 | \$194,653 | \$182,234 | \$186,829 |
| Marbletown | \$214,276 | \$201,991 | \$187,703 | \$189,246 |
| Shawangunk | \$205,215 | \$184,162 | \$166,066 | \$169,634 |
| Rochester | \$197,124 | \$175,278 | \$156,992 | \$157,637 |
| Gardiner | \$193,061 | \$178,665 | \$160,941 | \$161,305 |
| Hurley | \$190,429 | \$178,086 | \$164,985 | \$166,517 |
| Esopus | \$185,340 | \$173,069 | \$161,975 | \$164,500 |
| Marlborough | \$170,667 | \$158,627 | \$147,965 | \$149,241 |
| Shandaken | \$153,727 | \$143,700 | \$131,994 | \$133,097 |
| Plattekill | \$152,791 | \$142,005 | \$132,835 | \$134,992 |
| Rosendale | \$115,681 | \$105,479 | \$97,158 | \$98,635 |
| Saugerties Village | \$67,520 | \$60,760 | \$56,115 | \$56,560 |
| Denning | \$39,747 | \$34,956 | \$32,478 | \$31,071 |
| Hardenburgh | \$39,185 | \$36,210 | \$33,956 | \$34,261 |
| Ellenville Village | \$31,953 | \$28,544 | \$26,761 | \$27,359 |
| Kingston | \$20,193 | \$18,500 | \$16,949 | \$16,464 |
| Total | \$17,935,641 | \$17,308,724 | \$16,688,671 | \$16,406,294 |

Conclusion

The COVID pandemic has impacted sales tax receipts for Ulster County. Reduced sales tax revenues will also impact distributions to the City and towns. Sales tax makes up 37% of Ulster County's budgeted revenues but the City and towns are less dependent on sales tax as a proportion of their budgets. The declines in sales tax receipts have varied across industries. Some industries, such as those associated with tourism, are impacted more than others. Internet sales tax has increased dramatically largely as a result of changes to NYS law, but also as a result of more pandemic-driven online shopping. Monitoring these changes will help the County and businesses prepare for future economic changes.

