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**DISCUSSION BRIEF:
POTENTIAL ULSTER COUNTY
REVENUE IMPACTS OF COVID-19
March 13, 2020**

[Executive Summary](#)

COVID-19 is likely to have substantial impacts on Ulster County revenues. Quantification is not possible but historical sales and property tax collections and delinquency data illustrates potential impacts and areas of concern. Ulster County depends on local sales and use tax as well as real property tax for 63% of budgeted revenues. These sources of local revenues may experience significant multi-year declines. Sales tax depends on tourism as well as resident spending. COVID-19 will also impact other County revenue sources such as occupancy tax and departmental revenues such as fees and fines. Revenue losses *may* be offset by state and federal aid but that is not known at this time. Sales tax impacts will affect Ulster County, the towns and the City of Kingston. Real property delinquencies will impact the County, the City of Kingston and villages in Ulster County. *Significant impacts are anticipated in all Ulster County tax, fee and fine budget revenue categories.* Large-scale increases in federal and state aid will be imperative to the County's financial health and ability to provide services.

[Background](#)

The Coronavirus COVID-19 has reached all continents including North America. The United States had over 1,300 cases of the disease which has swamped healthcare service delivery in parts of China, Iran, Italy and South Korea. As a result of COVID-19 countries have instituted massive quarantines and social isolation policies to curb the spread of the virus. These quarantines are beginning to impact parts of the United States.

The parts of the United States most impacted at the time of this report are the areas around Seattle, Washington and the New York Metropolitan Region. Many community events across the country have been cancelled including the New York City and Boston Saint Patrick's Day celebrations, the NBA, MLB, NHL and MLS seasons. Air travel has seen a significant reduction and the federal government has issued new travel restrictions on passengers coming from European countries in addition to existing restrictions on visitors from China, South Korea and Iran.

At the time of this report Ulster County has several presumptive positive cases resulting in county-wide school district closures. The County Executive has declared a state of emergency suspending in-person County services with recommendations that indoor gatherings of more than 50 people be delayed for at least two weeks. The State University of New York (SUNY) has announced system-wide distance learning to be implemented beginning March 19, 2020, including SUNY New Paltz and SUNY Ulster. Many events in Ulster County that generate revenue and create visitation have been cancelled.

In addition to closing SUNY campuses, New York Governor Andrew Cuomo has also implemented a "containment zone" around an outbreak of Coronavirus in New Rochelle, declared a state of emergency to bypass traditional procurement and licensing rules for public health measures and called upon the Office of State Comptroller to revisit revenue projections in light of COVID-19.¹

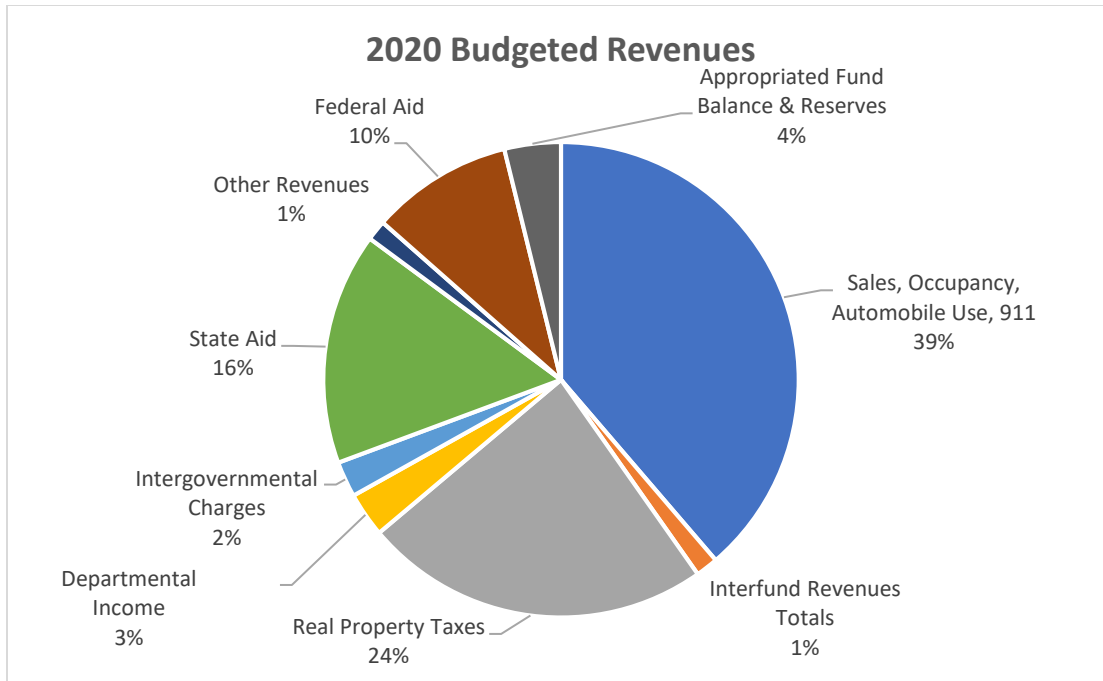
Ulster County is likely to see significant revenue impacts from the Coronavirus and while the Ulster County Comptroller's Office cannot predict the unpredictable, we share the analysis below to assist the County Legislature, County Executive, other municipal leaders, businesses and the public in planning for the future and speaking to state and federal decision-makers.

Ulster County Budgeted Revenues

The Ulster County budget runs January 1st through December 31st. Federal and state aid make up twenty-six percent (26%) of the County budget, local sales and property taxes make up sixty-three percent (63%) and the remaining eleven percent (11%) is made up from other sources.² The largest share of revenue is the local sales tax which accounts for thirty-seven percent (37%) of the budgeted revenues for 2020.

¹ Governor Cuomo Asks New York State Comptroller Tom DiNapoli to Revisit Revenue Projections in Light of Market Impact of Novel Coronavirus, press release dated March 10, 2020 available at <https://www.governor.ny.gov/news/governor-cuomo-asks-new-york-state-comptroller-tom-dinapoli-revisit-revenue-projections-light>

² 2020 Ulster County Budget available at <https://ulstercountyny.gov/sites/default/files/2020%20Adopted%20Operating%20Budget.pdf>



Federal and state officials have already begun drafting emergency legislation to address the public health and economic impacts of COVID-19. There is a strong possibility that the state and federal aid portions of the Ulster County budget will increase as a result of the virus to address the impacts. But at this time there is no way to know or predict what the full impacts will be to the Ulster County actual budget revenues in 2020 as a result of changes to state and federal aid.

The rest of this report will focus on real property tax and sales tax to provide discussion on potential impacts.

Real Property Tax

As noted above, real property taxes were anticipated to provide 24% of County revenues for 2020 for a total of \$81,002,758 which includes regular real property taxes and real property tax items such as Payments in Lieu of Taxes, interest & penalties from property tax, and gains on sale of tax acquired properties. County taxes average 13.6% percent of the typical property owner’s real property tax burden each year.³

The average delinquency rate for municipal real property taxes over the last three-year period (2016-2018) was 3.93%. In other words, 3.93% of property owners are unable for whatever reason to pay their real property taxes. While real property tax is generally considered to be a

³ 2020 Ulster County Real Property Tax Fact Sheet included with real property tax bills.

stable source of revenue, the unusual nature of the economic impacts of COVID-19 must be factored into our reliance on real property taxes.

Ulster County may see more delinquencies in the coming tax year or years as a result of reduced income for residential, commercial and industrial property owners. Should there be an increase in delinquencies, those delinquencies will impact the County, the villages and the City of Kingston. Town, village and special districts are billed with the County tax while school property taxes are billed separately. It is possible that delinquency rates for the two tax payments will differ given the different tax collection calendar.

Delinquent taxes for other town and school taxing jurisdictions are ultimately transferred to the County and the County annually makes them whole on unpaid property tax revenues. The City of Kingston remits the County tax levy on City property in full by September 1. The County becomes the enforcing agent for tax liens on all County real property, except property within the City of Kingston. For real property tax delinquencies on property in the City, the City will bear its portion of delinquent revenues. The City of Kingston may experience a similar real property tax delinquency impact from COVID-19.

COVID-19 impacts may increase real property tax delinquencies beyond the recent historical average of 3.93%. This impact will affect the County revenues.

Sales Tax

Ulster County has budgeted sales and use tax at 37% of revenues. Ulster County sales tax revenue may be significantly impacted from COVID-19. Sales tax is imposed on the transaction of most goods purchased in NYS and on certain enumerated services. Use tax is imposed on purchases made outside of NYS and brought into the state for use. Sales tax revenue is collected by the NYS Department of Taxation and Finance and is regularly remitted to the County via wire transfer. Generally, most retail sales of goods and services made within the County are subject to 8% sales tax: 4% of this amount is attributable to state sales tax, while the remaining 4% represents the County's share. Three percent of the County share automatic while an additional 1% is optional and must be extended every three years with New York State approval. The division of these shares is treated differently and governed by a five-year contractual agreement due to expire in 2021.⁴ The allocation among the City and towns is a complex calculation dependent on the tax year but impacts to sales tax generally will flow to the City and towns proportionally.

⁴ Ulster Count Sales Tax Agreement available at <https://ulstercountyny.gov/sites/default/files/Sales%20Tax%20Agreement%20with%20City%20of%20Kingston.042616.pdf>

The State sales tax year differs from the County with sales tax running on a quarterly basis March through February of the following year. Thus, each year of sales tax bridges two County budget cycles. Data presented below follows the state sales tax year.

This report looks to further understand these trends by evaluating taxable sales by industry in Ulster County. The industry codes for Ulster County top ten categories of taxable sales and purchases presented below are established by the North American Industry Classification System (NAICS). These NAICS codes represent the principle business activity of the entity as registered with the NYS Department of Taxation and Finance and may not directly represent the goods and services sold.⁵

Ulster County Taxable Sales & Purchases							
NAICS Group	Description	2017-2018		2018-2019		2019-2020*	
4411	Automobile Dealers	\$ 334,244,096	12%	\$ 327,081,177	11%	\$ 180,192,947	11%
4471	Gasoline Stations	\$ 275,448,526	10%	\$ 319,418,127	10%	\$ 165,890,729	10%
7225	Restaurants and Other Eating Places	\$ 255,394,653	9%	\$ 266,554,687	9%	\$ 146,970,432	9%
4441	Building Material and Supplies Dealers	\$ 181,548,003	6%	\$ 194,096,608	6%	\$ 110,827,473	7%
4523	Gen.l Merch. Stores (Warehouse Clubs & Supercenters)	\$ 175,702,803	6%	\$ 175,022,494	6%	\$ 83,053,617	5%
7211	Traveler Accommodation	\$ 120,268,919	4%	\$ 128,167,630	4%	\$ 71,187,760	4%
8111	Automotive Repair & Maintenance	\$ 103,861,172	4%	\$ 111,093,715	4%	\$ 57,827,615	4%
4451	Grocery Stores	\$ 96,241,946	3%	\$ 99,163,032	3%	\$ 52,076,908	3%
4541	Electronic Shopping and Mail-Order Houses	\$ 69,751,801	2%	\$ 81,663,208	3%	\$ 46,752,473	3%
9261	Administration of Economic Programs	\$ 65,593,724	2%	\$ 71,386,265	2%	\$ 45,840,183	3%

* Figures only for Mar-Aug 2019 as of 3/12/20

Estimated sales tax revenues received by Ulster County from New York State for the month of January 2020 were up eleven percent (11.9%) over the same period for 2019. This could provide some minor offset to possible reduced sales tax revenues throughout the balance of the year caused by COVID-19.

Many of the industry codes identified in this report in the top taxable sales generating categories will be impacted by COVID-19, some positively, most negatively. For starters, General Merchandise Stores which include Warehouse Clubs and Supercenters, and Grocery Stores may see a temporary or even sustained increase associated with COVID-19 as Ulster County residents either stock up or make sustained purchases that offset restaurants and entertainment establishments frequented outside the home.

Most of the top generating industry sectors for sales tax are likely to take significant and sustained downward trends as a result of COVID-19. These include automobile sales, gasoline sales, sales of construction materials, restaurants as well as traveler accommodation. The top ten

⁵ Sales Tax and Purchases Quarterly Data: Beginning Sales Tax Year 2013-2014 from New York State Open Data available at <https://data.ny.gov/Government-Finance/Taxable-Sales-And-Purchases-Quarterly-Data-Beginni/ny73-2j3u/data>

industry codes make up 58% of the total taxable sales and purchases in Ulster County. Reductions in income and discretionary spending are likely to impact all categories of sales tax both for Ulster County residents and for visitors. Visitation and travel reductions will impact gasoline sales, restaurants, and traveler accommodation. Essentially, some of these major sales tax generators are dependent both on the spending of Ulster County residents and spending by visitors to the County. In 2019 Ulster County had 5.3 million visitors spending \$652 million. The sales tax impacts on traveler accommodation and restaurants do not reflect commensurate potential reduction in Ulster County Occupancy Tax revenue. Occupancy Tax was budgeted to provide \$2,185,000 in revenues in 2020. A proposal to increase the Occupancy Tax from 2% to 4% was proposed by the County Legislature and remains pending in the Ways and Means Committee at this time.

Electronic Shopping and Mail-Order Houses saw a significant increase in taxable sales in the latter half of 2019 as a result of *South Dakota v. Wayfair, Inc.*, 585 U.S. 298 (2018) ruling that states may collect taxes on internet sales even when the purchases are made from out-of-state retailers and the follow on New York State legislation. Ulster County did see a 31% increase in Electronic Shopping and Mail-Order Houses taxable sales and purchases in the June-August period in 2020 over 2019. Total sales tax from Electronic Shopping and Mail-Order Houses could increase as a result of COVID-19 as consumers seek to socially distance but could also face a downward trend as discretionary income shrinks.

Several of the sales tax NAICS code categories that generate significant sales are a result of the placement and operation of State-owned facilities. Specifically, Administration of Economic Development Programs includes the operation of the Olympic Regional Development Authority at the Belleayre Ski Center and may include other state operated facilities as well. Belleayre visitation sales may be impacted by COVID-19 as families avoid travel and experience reduced discretionary spending. Gasoline Stations include revenues from three NYS Thruway Rest Areas located in Saugerties, Ulster and Plattekill. Gas prices have been falling dramatically in the last few weeks as COVID-19 contracts the demand for gasoline. While end-consumers will benefit from decreasing gas prices might normally increase purchasing, the County may experience reduced sales tax revenue due to both the declining price and reduced consumption.

Examining the sales tax changes over time, particularly through the period of the Great Recession may be instructive. The table below shows actual sales tax revenues and the percentage change over the prior year.⁶

⁶ Drawn from the New World Financial System of Ulster County on March 13, 2020.

	Sales Tax Actuals	% Inc/Dec from prior yr
2008	\$ 98,941,156	
2009	\$ 90,966,778	-8%
2010	\$ 96,799,073	6%
2011	\$ 100,922,906	4%
2012	\$ 102,598,622	2%
2013	\$ 102,010,008	-1%
2014	\$ 104,667,661	3%
2015	\$ 107,996,028	3%
2016	\$ 112,184,274	4%
2017	\$ 115,339,913	3%
2018	\$ 120,322,069	4%
2019	\$ 127,192,944	6%

In 2009 during the Great Recession sales tax revenues declined 8% from the prior year although rebounded the following year. Given the scope and breadth of COVID-19 we may see much larger and longer lasting sales tax revenue declines. As of now quantifying those impacts is not possible.

Conclusions

COVID-19 is likely to have substantial impacts on Ulster County revenues. Although the Ulster County Comptroller's Office cannot quantify estimated potential impacts, historical data on sales and property tax collections and delinquencies provides guidance on potential impacts and areas of concern. Ulster County depends on local sales and use tax as well as real property tax for 63% of County budgeted revenues. These sources of local revenues may experience significant and multi-year declines. COVID-19 will impact other County revenue sources such as occupancy tax and departmental revenues that include fees and fines. Revenue losses *may* be made up by state and federal aid but that is not known at this time. Sales tax impacts will affect Ulster County, the towns and the City of Kingston. Real property delinquencies will impact the County, the City and villages in Ulster County. *Significant impacts are anticipated in all tax, fee and fine budgeted revenue categories* and increases in federal and state aid will be imperative to the County's financial health and ability to provide services.