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NASSAU COUNTY LEGISLATURE
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Inter-Departmental Memo

To: Hon. Howard J. Kopel, Chairman of the Budget Review Committee
All Members of the Budget Review Committee

From: Maurice Chalmers, Director
Office of Legislative Budget Review

A handwritten signature in blue ink, appearing to be "MC", written over the name of the sender.

Date: January 12, 2015

Re: Year-to-date Sales Tax Collections

With the receipt of the January 12th sales tax distribution check, the County has received all collections on purchases made through November 2014. On a year-to-date basis, receipts compared to the same time period in 2013 have decreased by \$48.3 million or 4.4%.

The chart below details gross year to date sales tax collections for 2014 compared to 2013.

Sales Tax Receipts

(Payments Received Through January 12, 2015 in millions)

	2013	2014	Variance \$	Variance %
Gross YTD Sales Tax	\$1,086.9	\$1,038.6	(\$48.3)	-4.4%

The January 12, 2015 sales tax check is up 7.5% from last year's check for the same time period. This check includes the quarterly adjustment for the months of September through November. Previous checks were based on estimates as the State projects the County's collection for the time period based on previous year performance. However, this payment is based on actual collections and adjusted for any over or under payment from the previous distributions in the quarter.

As of November 2014, the Office of Management and Budget (OMB) is projecting a 2014 year end sales tax deficit of \$67.7 million. This is more inline with OLBR's \$70.0 million deficit

projection. A no growth scenario for the remainder of the year results in a \$71.6 million deficit compared to the FY 14 Adopted Budget. The 2015 budget was drafted assuming a \$51.5 million 2014 sales tax shortfall. Using the more realistic assumption of a \$71.6 million 2014 shortfall, this results in a 2015 sales tax growth rate of 4.9% required to reach the FY 15 Adopted Budget of \$1,143.3 million (excluding the deferred sales tax). This could prove challenging.

Looking forward, the remaining sales tax checks will cover purchases made in December 2014. According to analytics company Retail Next, U.S. retail store sales fell 8 percent during the holiday season despite a late shopping surge. However, due to robust online sales, total holiday sales are forecast to increase 3.5 to 4.0 percent.¹ This is a significant factor to monitor since not all online sales are taxed. Only those from businesses with a nexus, sufficient physical presence, in-state or who enable online customers to make local returns or exchanges are required to collect sales tax.

Using two different methodologies OLBR calculated an estimate of the annual Nassau County sales tax loss attributable to online purchases. The first methodology utilized Census Bureau E-Stats percentages to estimate the sales tax loss in Nassau. The second methodology used the University of Tennessee New York State estimated sales tax loss. The annual loss was found to be in the \$7.9 to \$37.9 million range in 2013.

Estimates of Nassau E-Commerce Sales Tax Loss 2009 to 2013, figures in millions		
	Census Bureau E- Stats	Univ. of Tenn. Estimates
2009	\$10.85	\$41.61
2010	\$10.50	\$47.69
2011	\$10.58	\$45.58
2012	\$9.80	\$41.15
2013	\$7.87	\$37.86
*Figures assume 76.4% of online sales are taxed in 2009, with a 3% increase in each out years		

If you should have any further questions, please contact my Office.

cc: Hon. George Maragos, Nassau County Comptroller
 Steven Labriola, Nassau County Chief Deputy Comptroller
 Eric Naughton, Deputy County Executive
 Roseann D’Alleva, Budget Director, OMB
 Evan Cohen, Executive Director, NIFA
 William Biamonte, Minority Chief of Staff
 Michele Darcy, Minority Finance
 Dan McCloy, Director of Law, Finance & Operations
 Gregory May, Director of Legislative Affairs
 William Muller, Clerk of the Legislature

¹ Bose, Nandita, “Holiday Season U.S. Store Sales Down 8 Percent in 2014: Retail Next”, Reuters.com, January 7, 2015.