



Office of Management  
and Budget

# Recent Trends in NYC's Sales Tax

**E-commerce, tourism, and general growth trends.**

*Presented at the FTA Revenue Estimation and Tax Research Conference.  
September 2017*

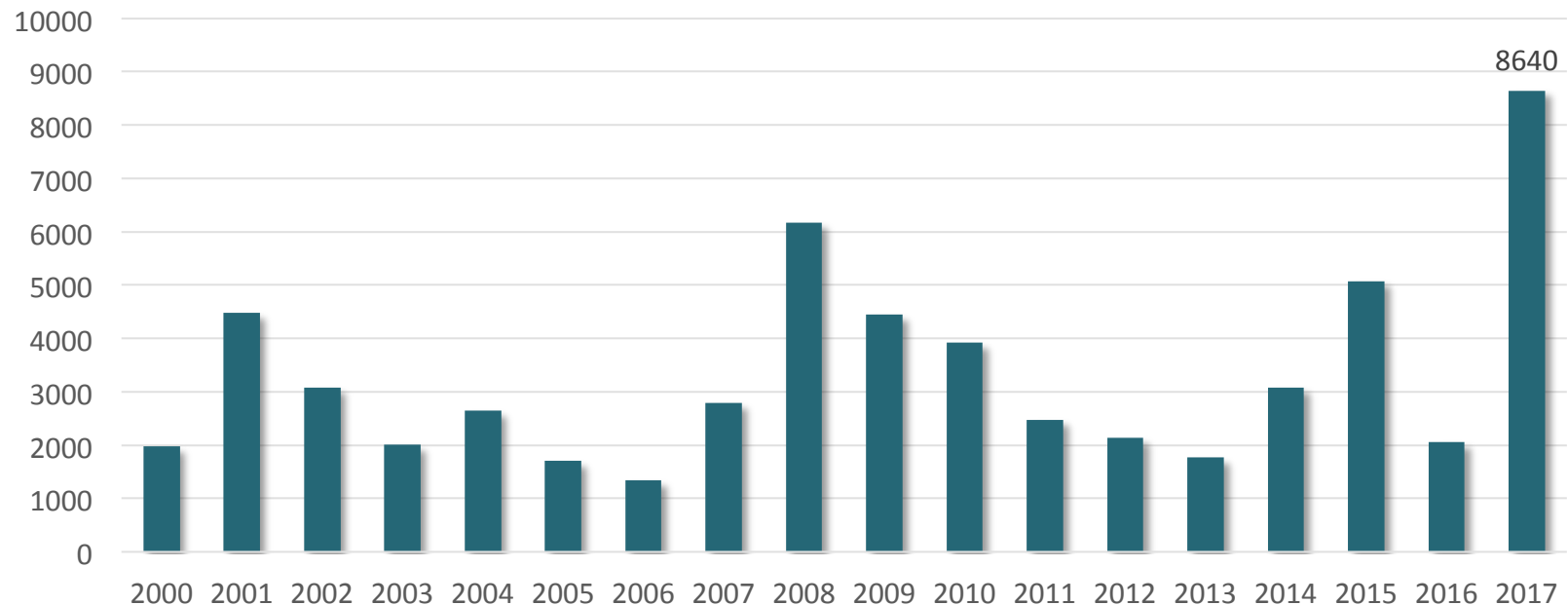


The City of New York  
Office of Management and Budget  
Tax Policy, Revenue Forecasting & Economic Analysis

# Retail “Apocalypse”

- *The Atlantic*, April 2017 “What in the World Is Causing the Retail Meltdown of 2017?”
- *CNN Money*, April 2017 “Stores are closing at an epic pace”
- *Fortune*, May 2017 “Major Wall Street Firm Expects 25% of U.S. Malls to Close by 2022” \*
- *Time*, June 2017 22 “Retailers That Are at Serious Risk of Bankruptcy”
- *Bloomberg*, September 2017 “Toys ‘R’ Us Collapses Into Bankruptcy Thanks to Crushing Debt

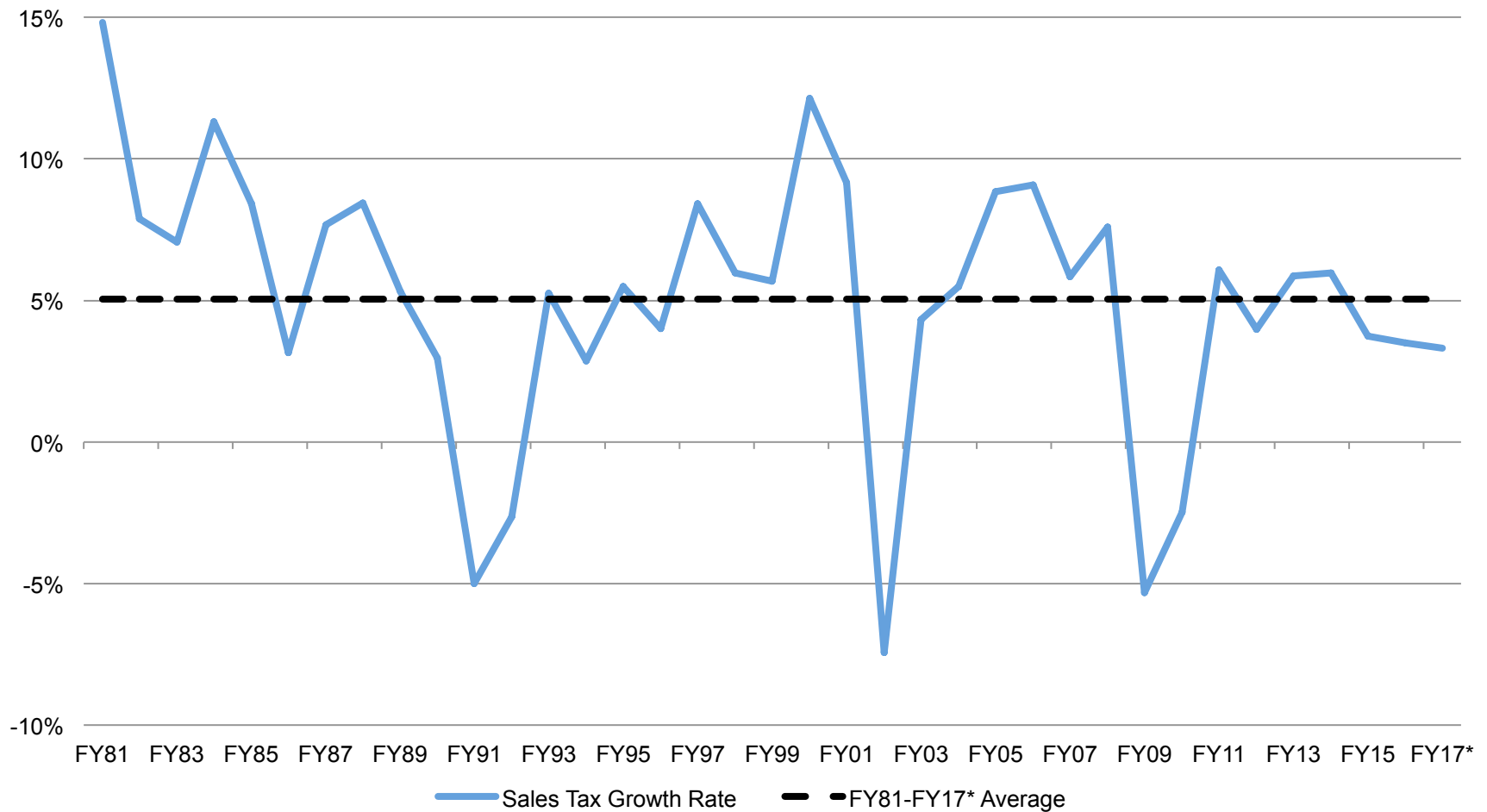
Unit Closing (Full Year Estimate)\*



Source(s): Credit Suisse

# Sales tax collections have slowed over the past 3 years

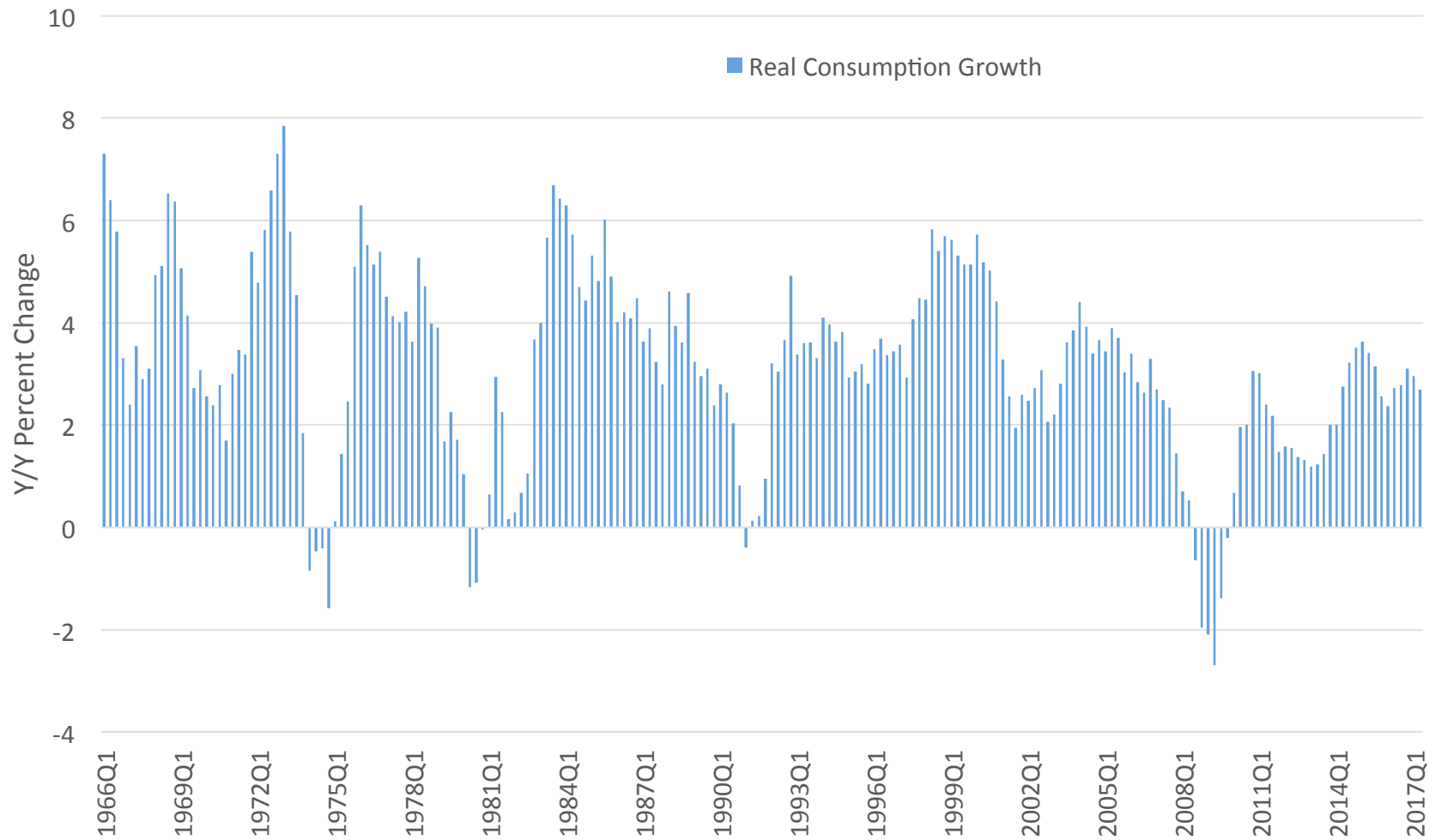
NYC Sales Tax Growth (common rate and base)



Source(s): NYC OMB

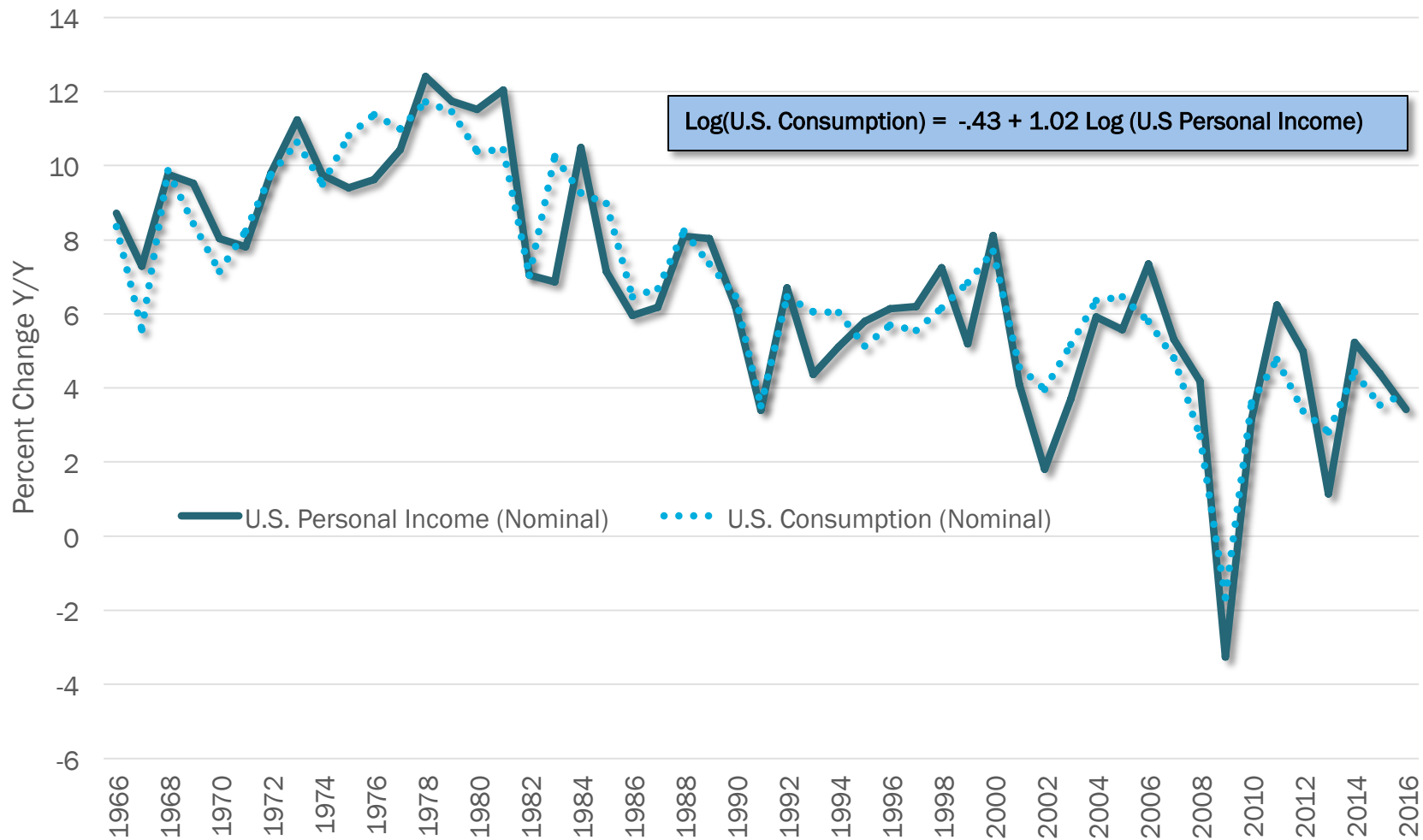
# U.S. Trends

# In the most recent expansionary period U.S. consumption growth has been slow.



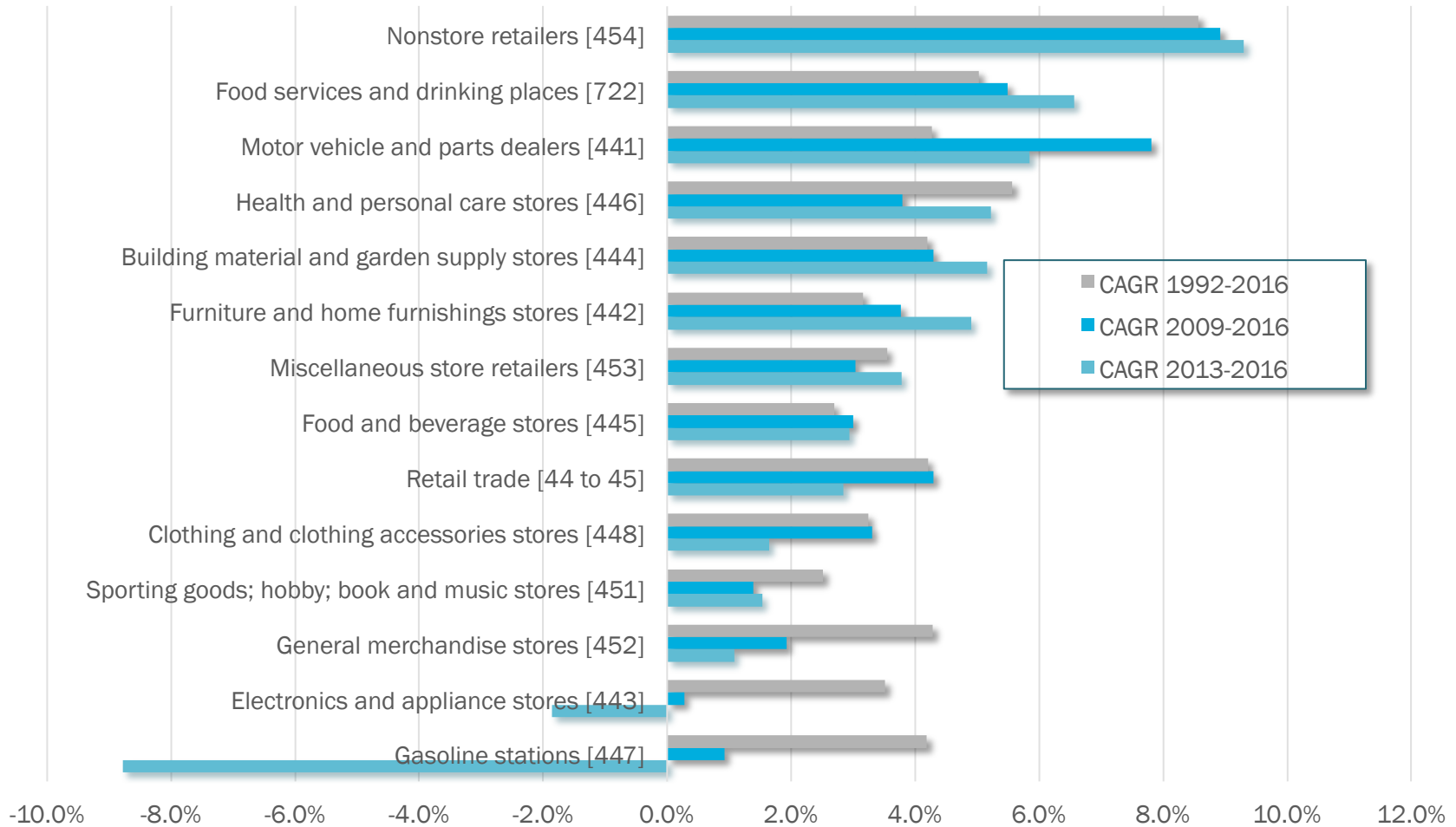
Source: Bureau of Economic Analysis

# The slowdown in consumption is consistent with weak income growth.



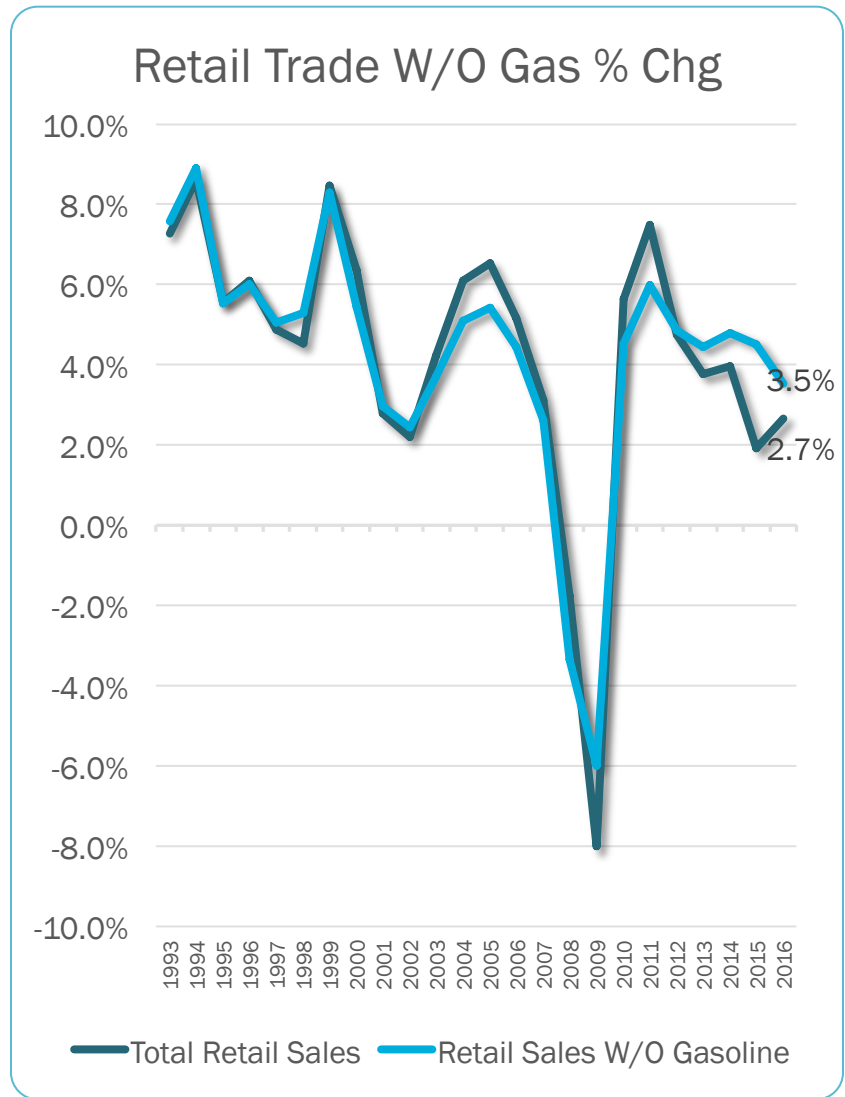
Source: Bureau of Economic Analysis, OMB Analysis

# U.S. Retail Trade Sales



Source: U.S. Census

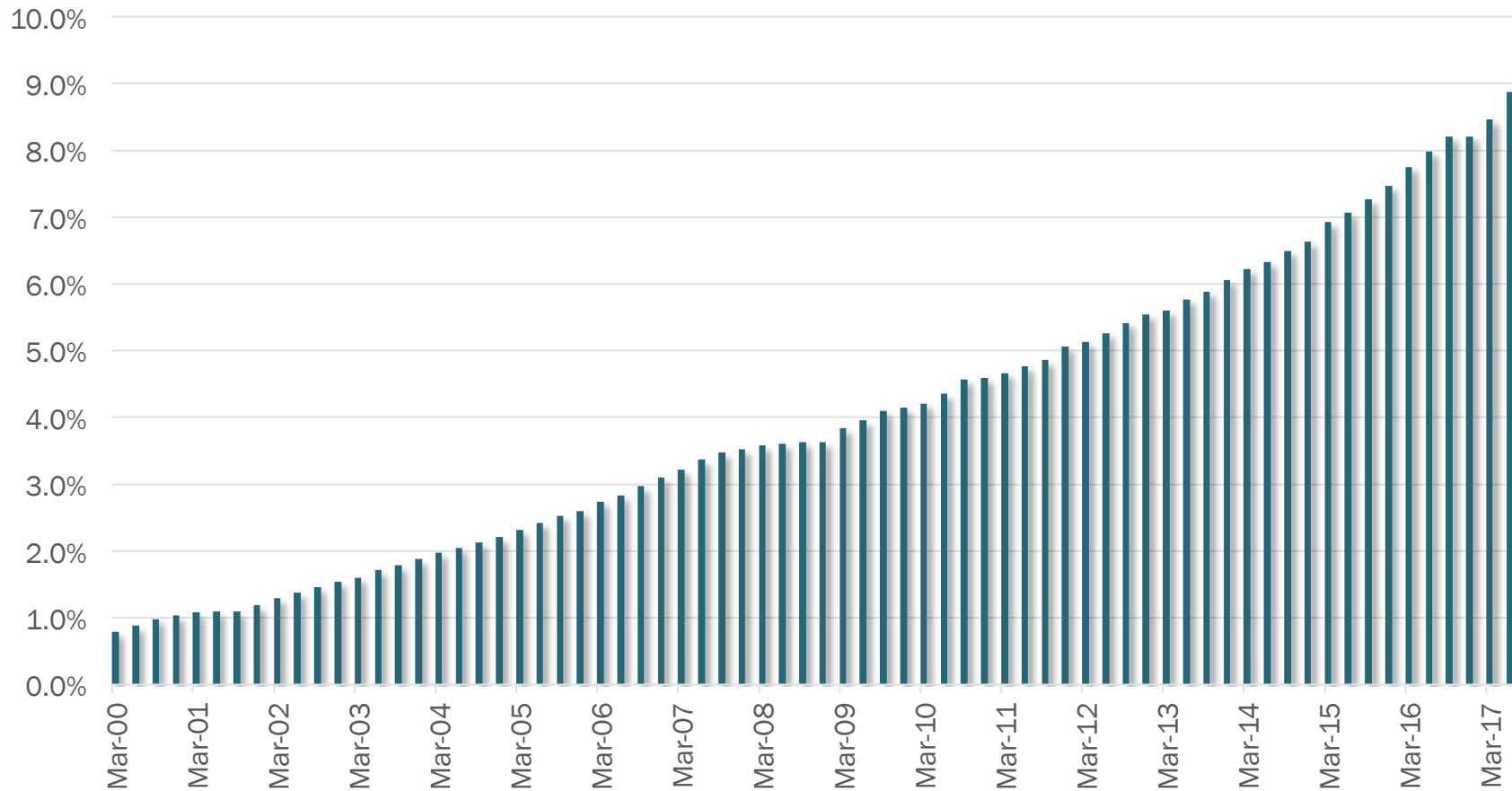
# Oil prices drove down the value of Retail Trade





# E-commerce is steadily gaining retail market share

E-Commerce Share of Total U.S. Retail Sales



Source: U.S. Census Quarterly Retail E-Commerce Sales 2<sup>nd</sup> Quarter 2017, [https://www.census.gov/retail/mrts/www/data/pdf/ec\\_current.pdf](https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf)

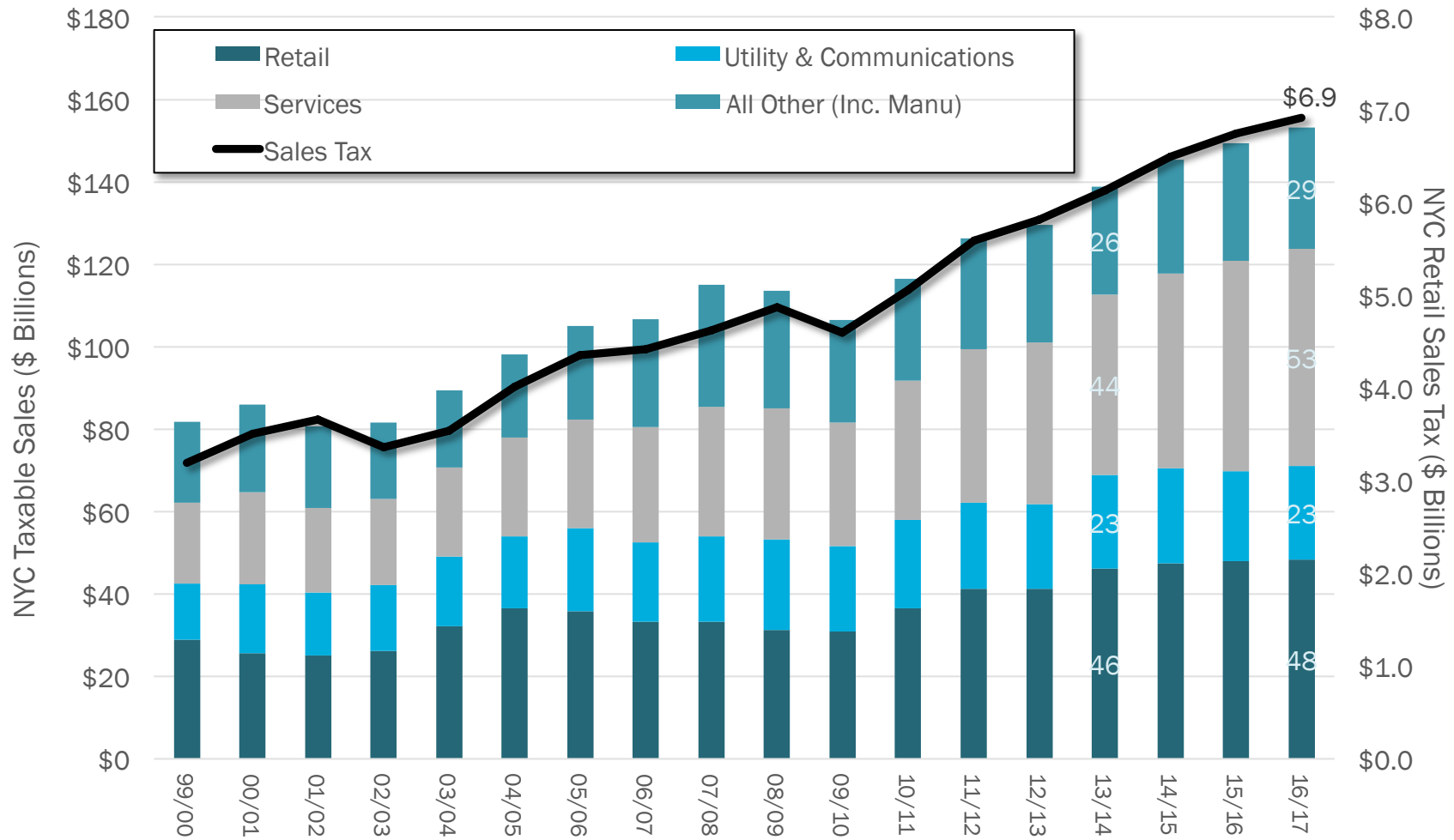
# New York City

# Some facts about NYC Sales Tax

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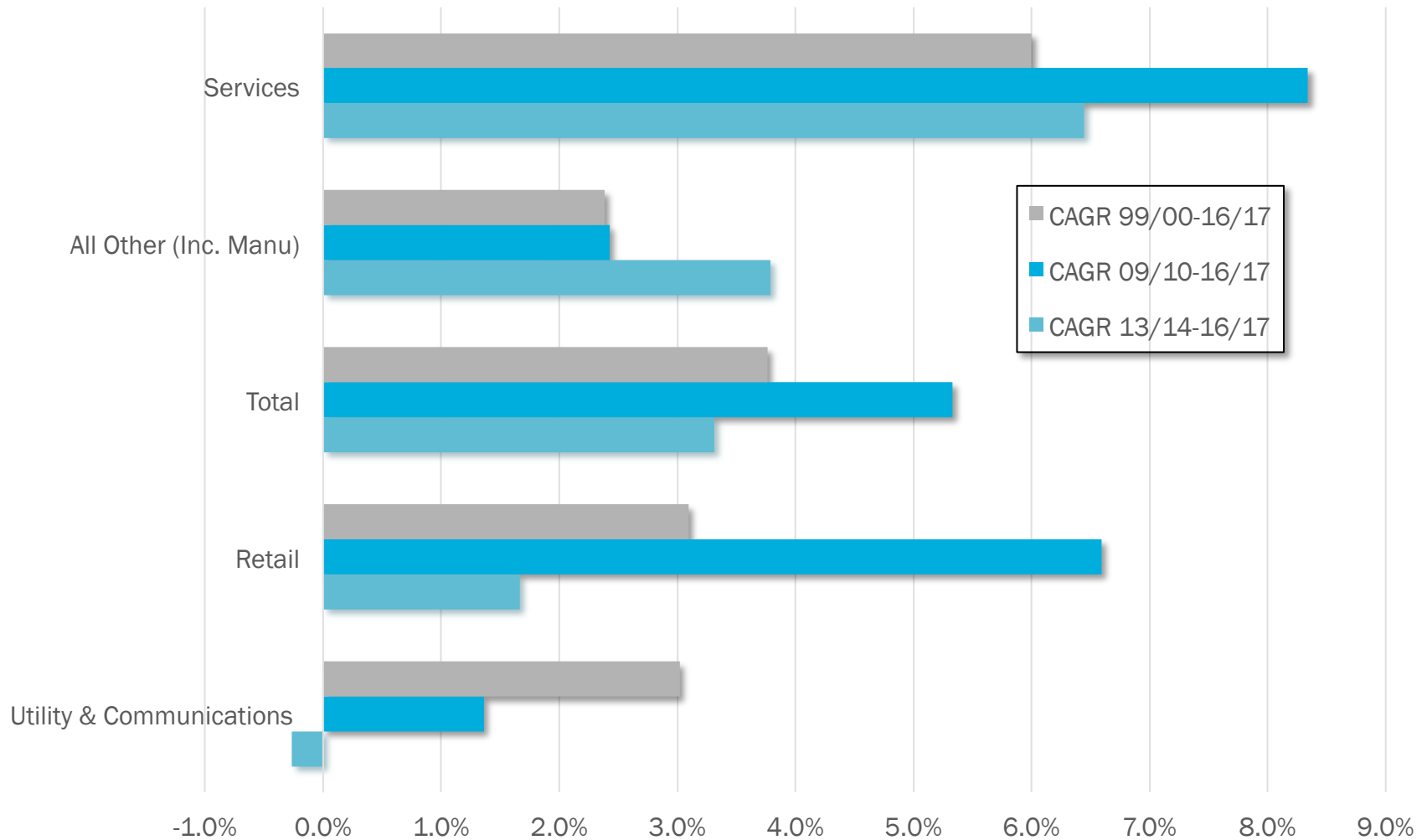
- Rate – 8.875 percent.
  - NYC sales tax rate is 4.5 percent.
  - NYS sales tax rate is 4.0 percent.
  - MCTD Sales tax rate 0.375 percent.
- NYC exempts clothing under \$110.
- NYS enacted its “Amazon Law” in 2008 which stated that a seller of taxable property or services is presumed to be a vendor if the seller receives a commission on completed sales for referring customers to the seller by links on a website.
- In 2010, New York State courts upheld the 2008 legislation.

# NYC Collects Nearly \$7 billion on Taxable Sales of Over \$150 billion



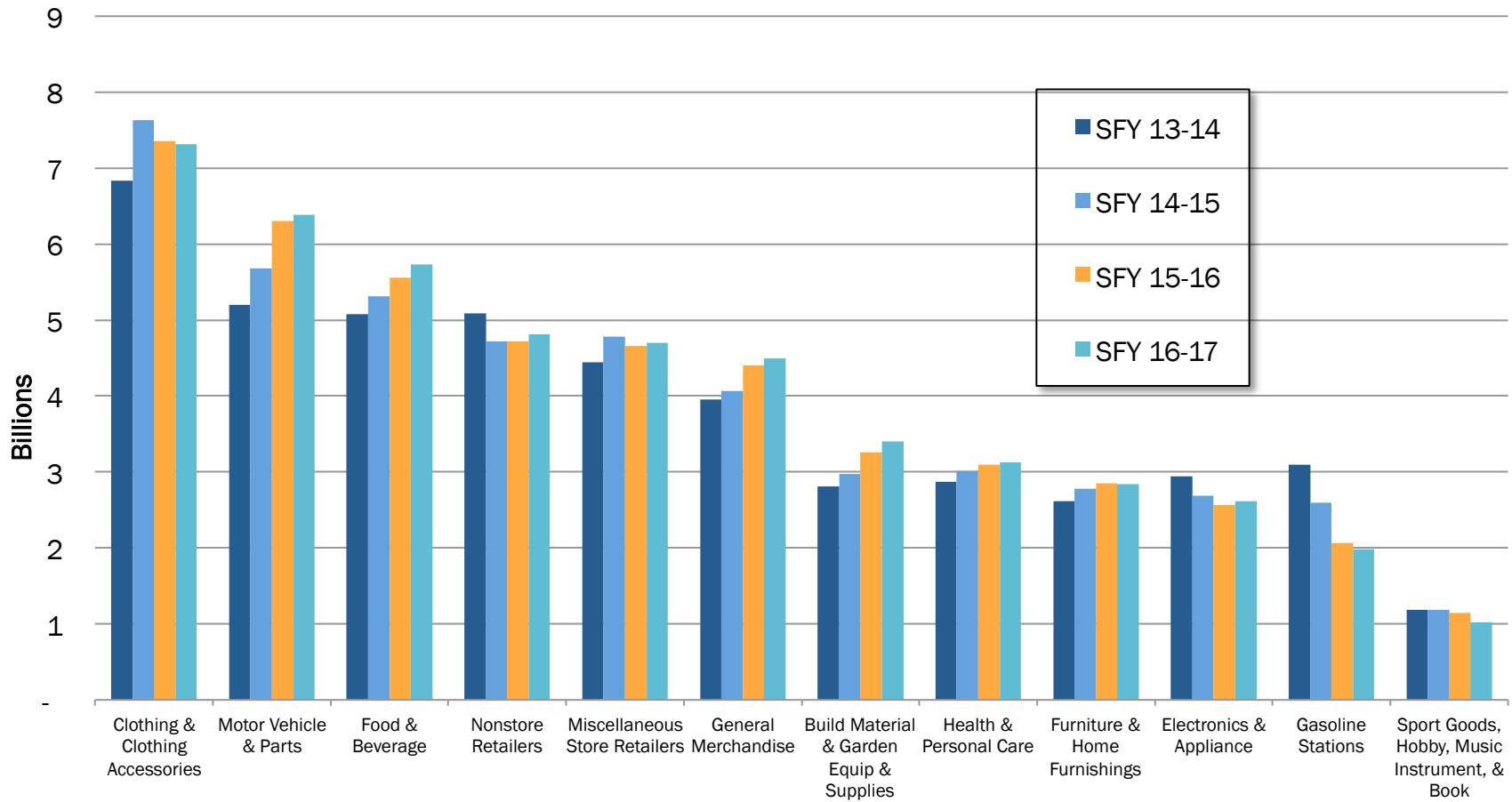
Source(s): NYS OTPA, Taxable Sales Data State Fiscal Year (April to March). NYC Sales Tax OMB Fiscal Year (July to June)

# Taxable Sales



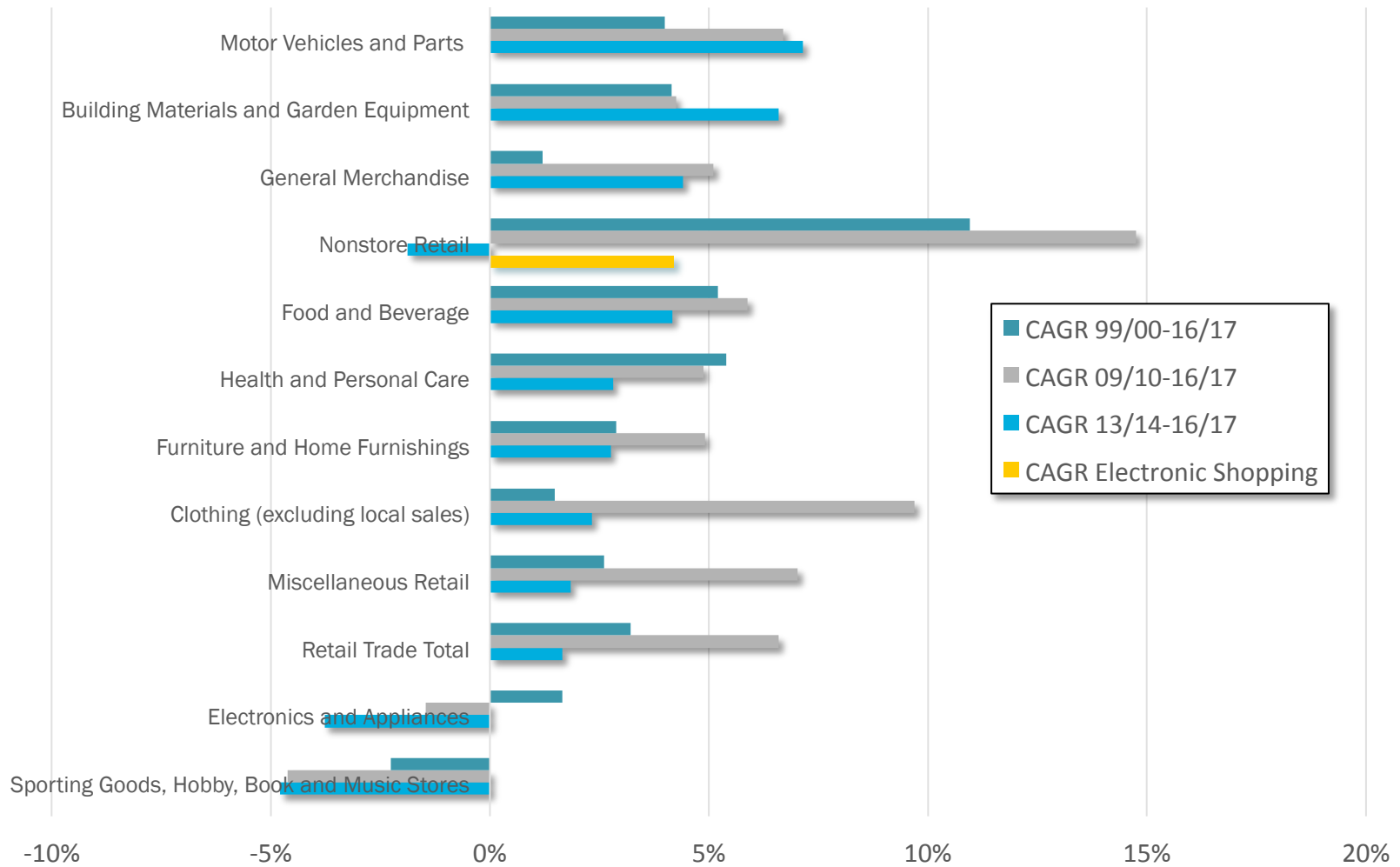
Source(s): NYS OTPA, NYC OMB

# NYC Taxable Sales Retail Trade



Source(s): NYS OTPA, NYC OMB

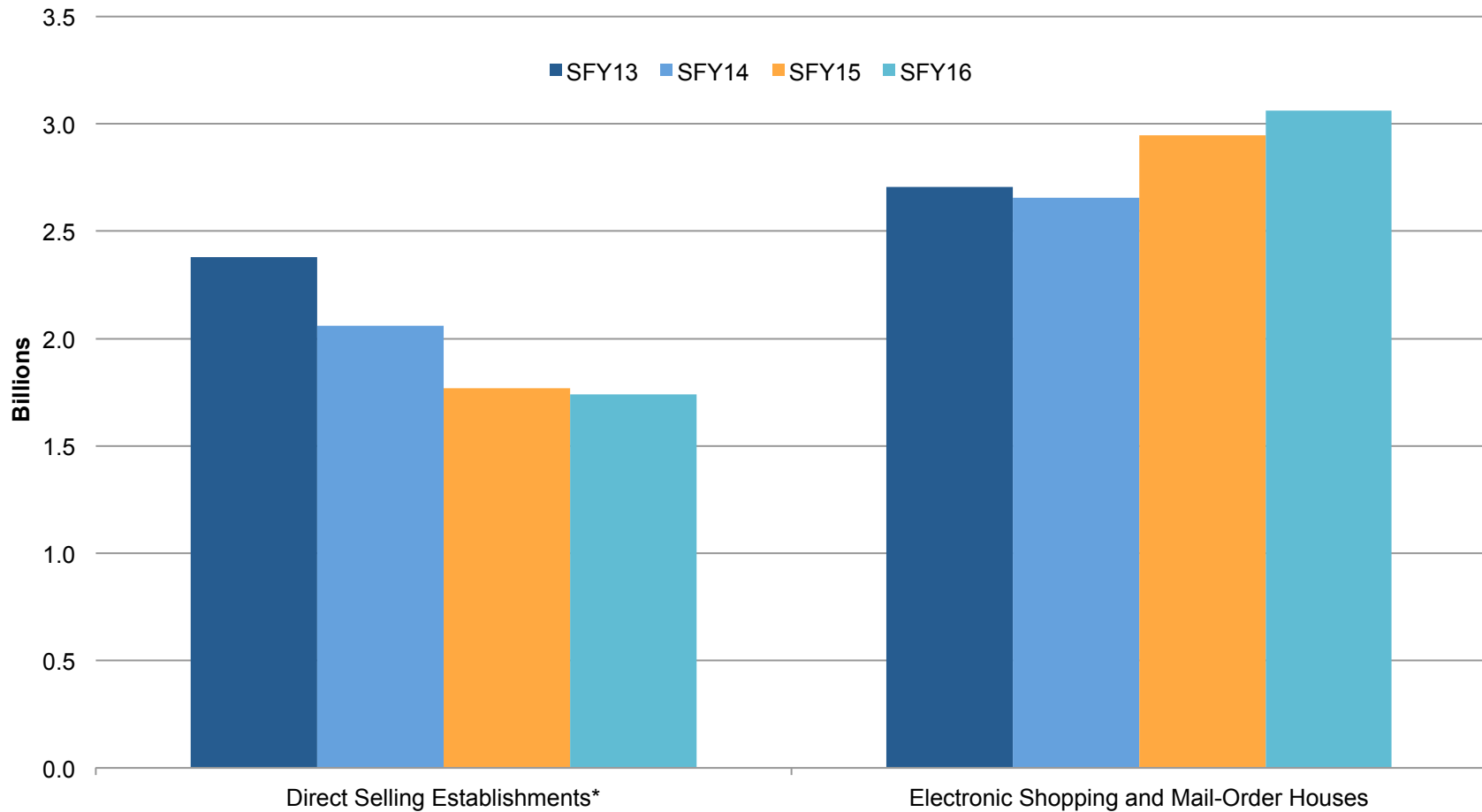
# NYC Taxable Sales Retail Trade



Source(s): NYS OTPA, NYC OMB

## The recent decline in nonstore sales is attributable to direct selling establishment. Electronic shopping and mail order continues to rise.

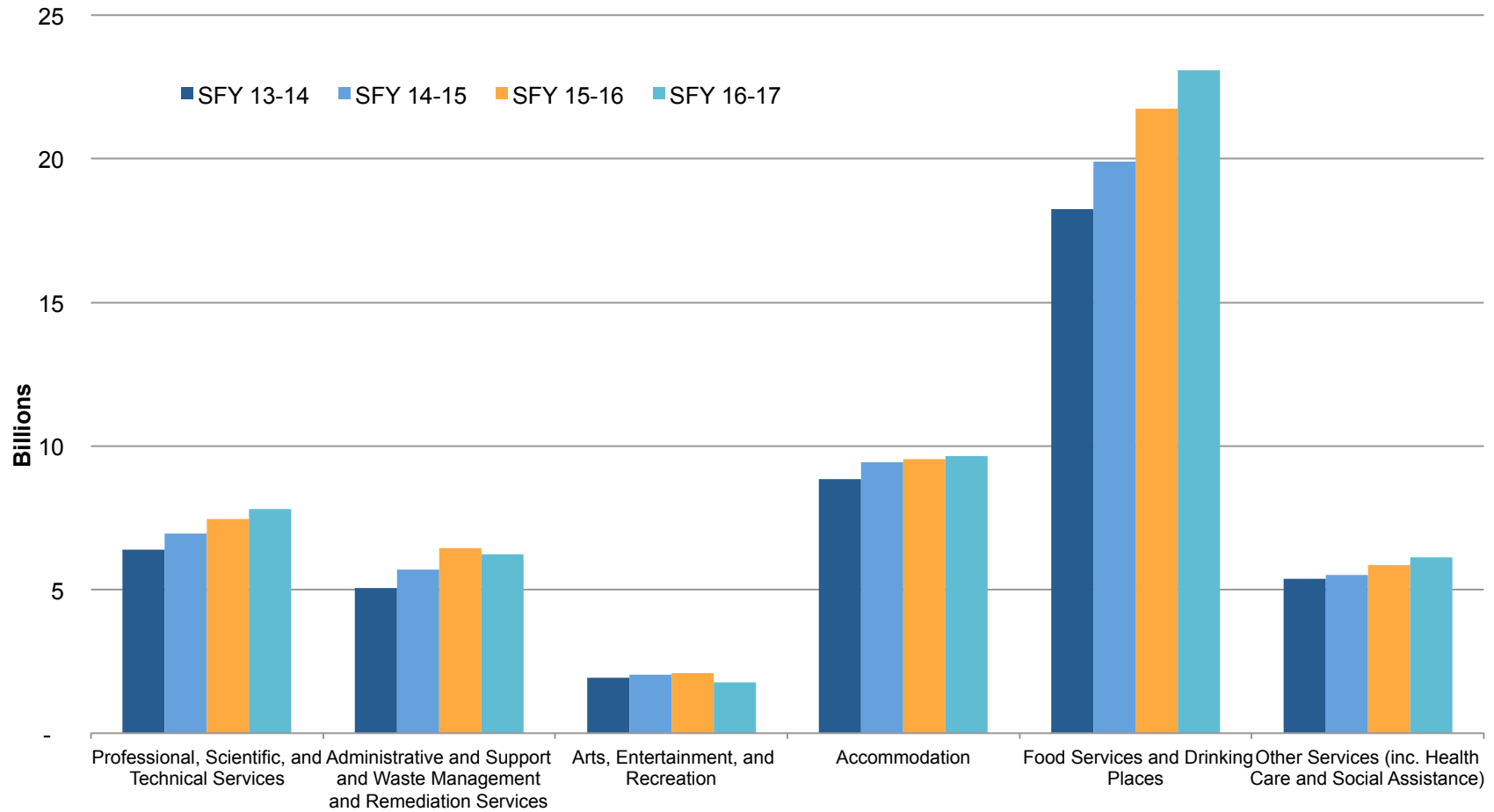
### NYC Nonstore Retail 4-digit



Source(s): NYS OTPA, NYC OMB These establishments typically go to the customers' location rather than the customer coming to them (e.g., door-to-door sales, home parties). Examples of establishments in this industry are home delivery newspaper routes; home delivery of heating oil, liquefied petroleum (LP) gas, and other fuels

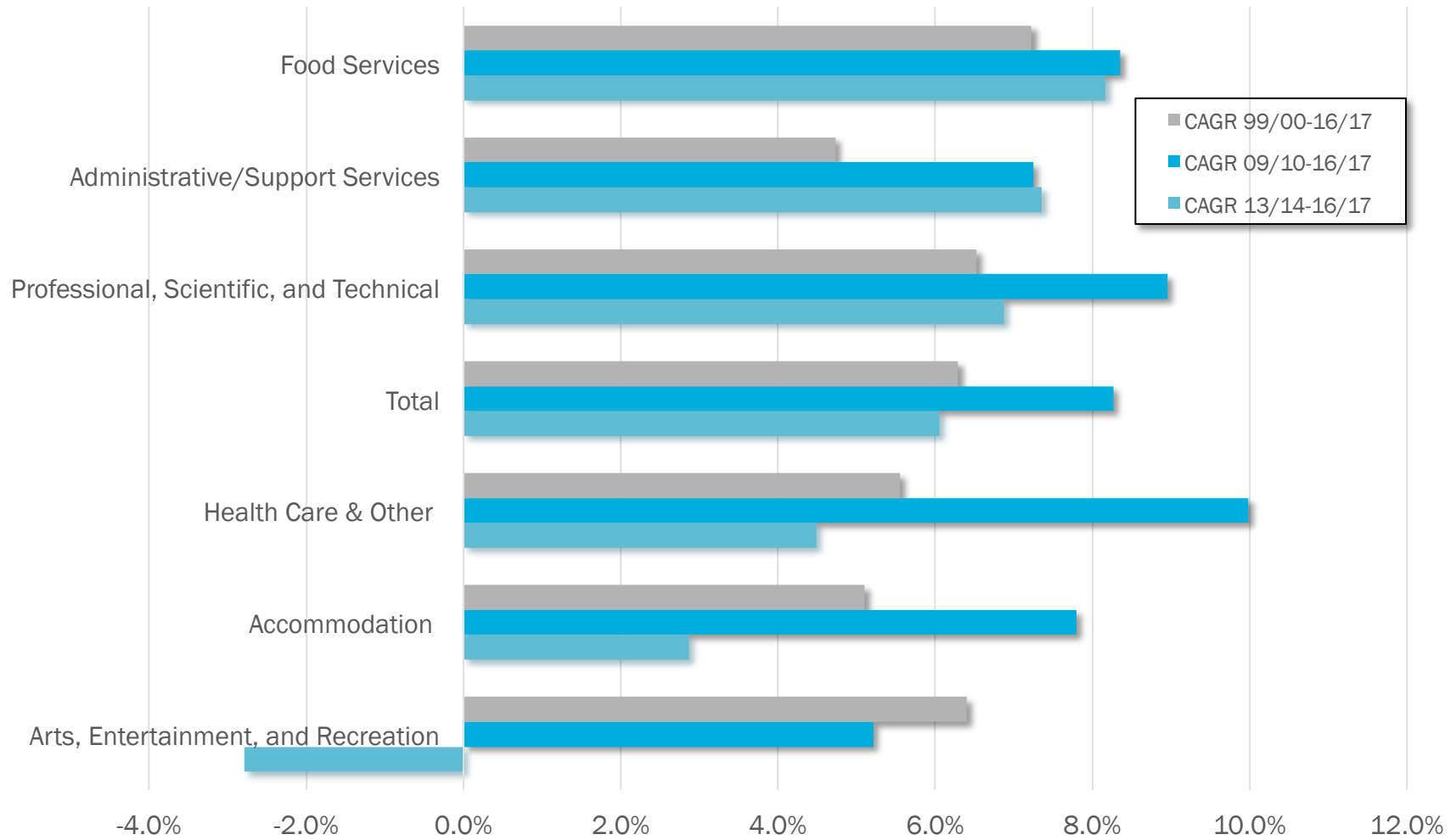


# NYC Taxable Sales Services



Source(s): NYS OTPA, NYC OMB

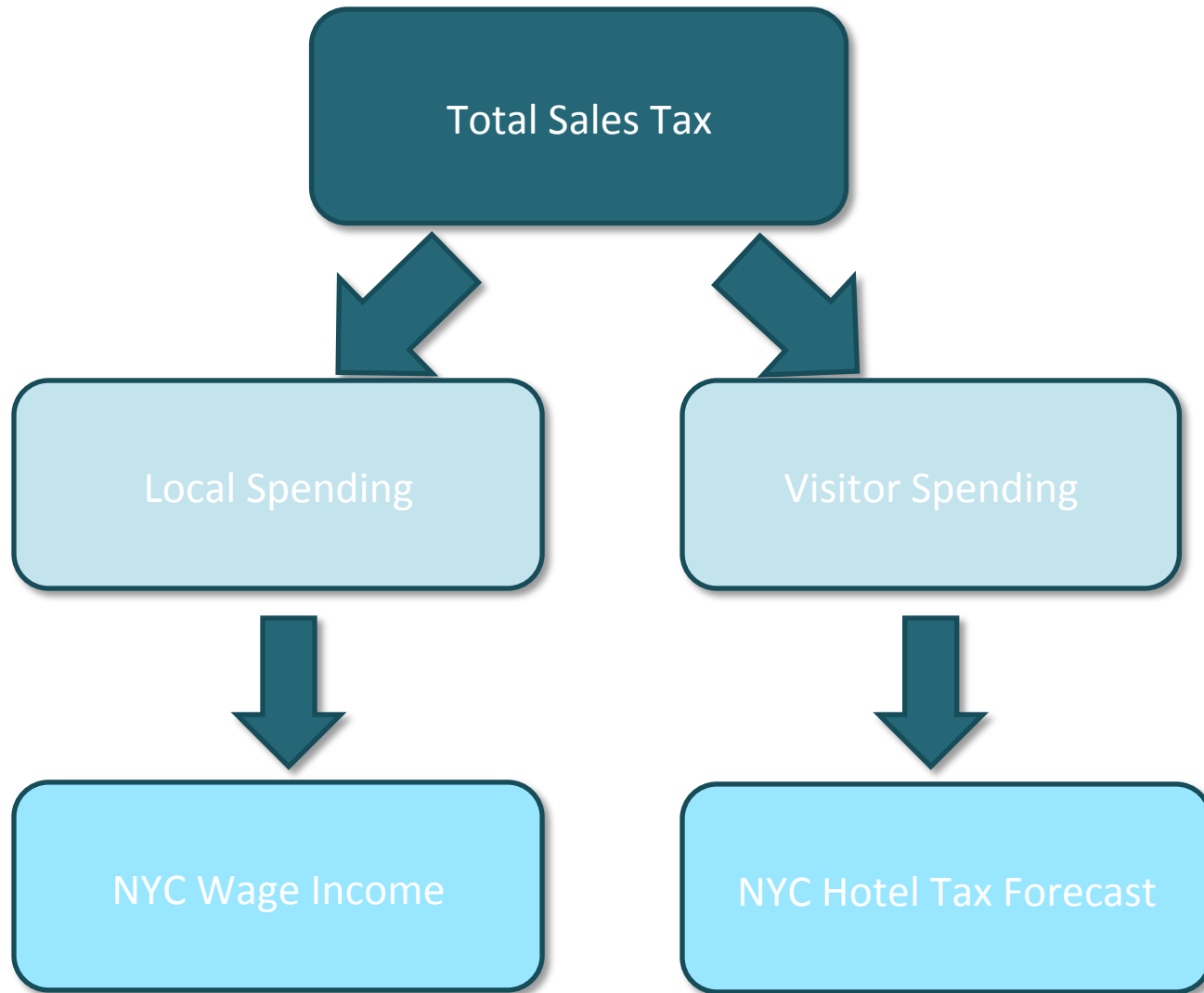
# Taxable Services



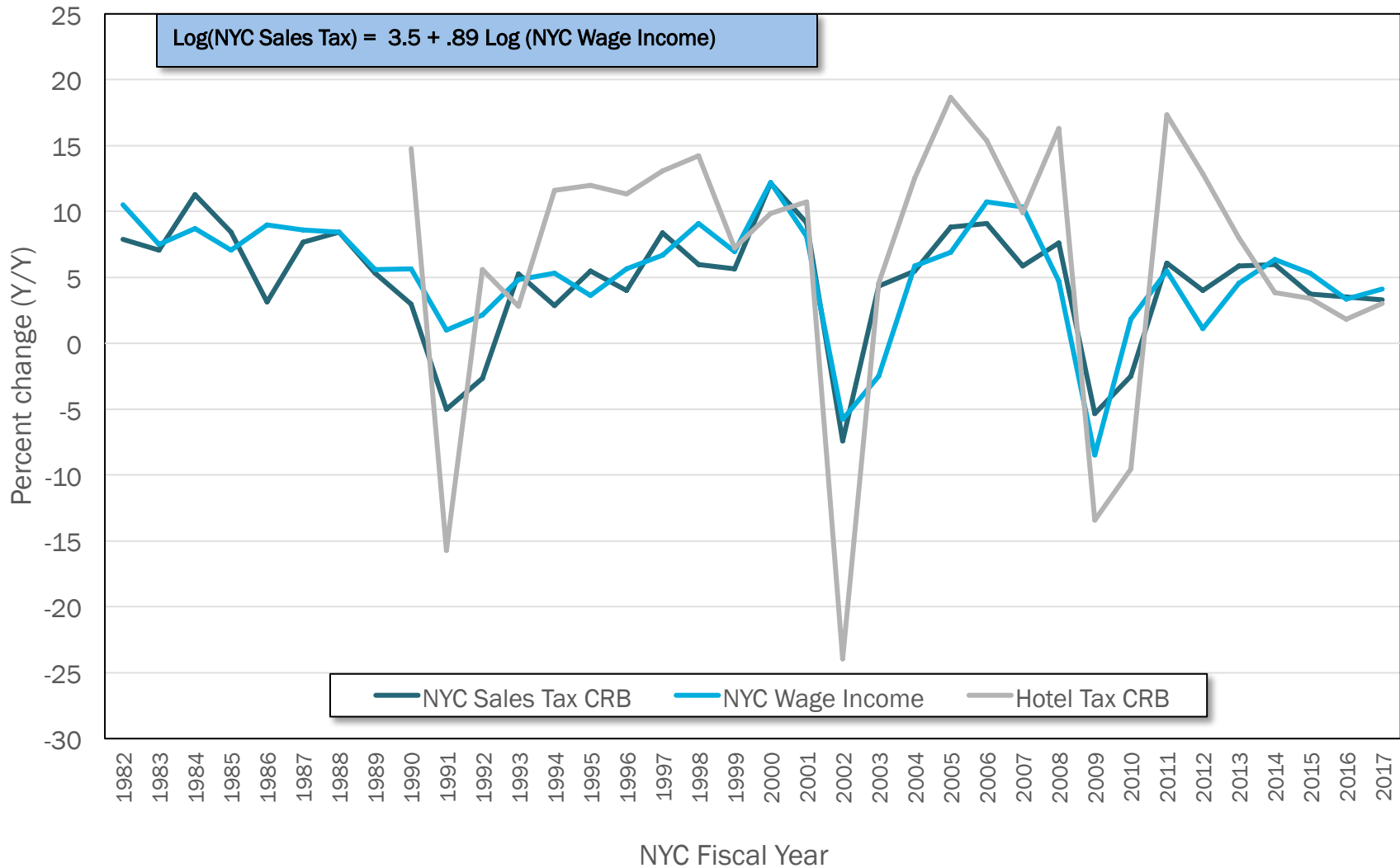
Source(s): NYS OTPA, NYC OMB

# NYC Sales Tax Model

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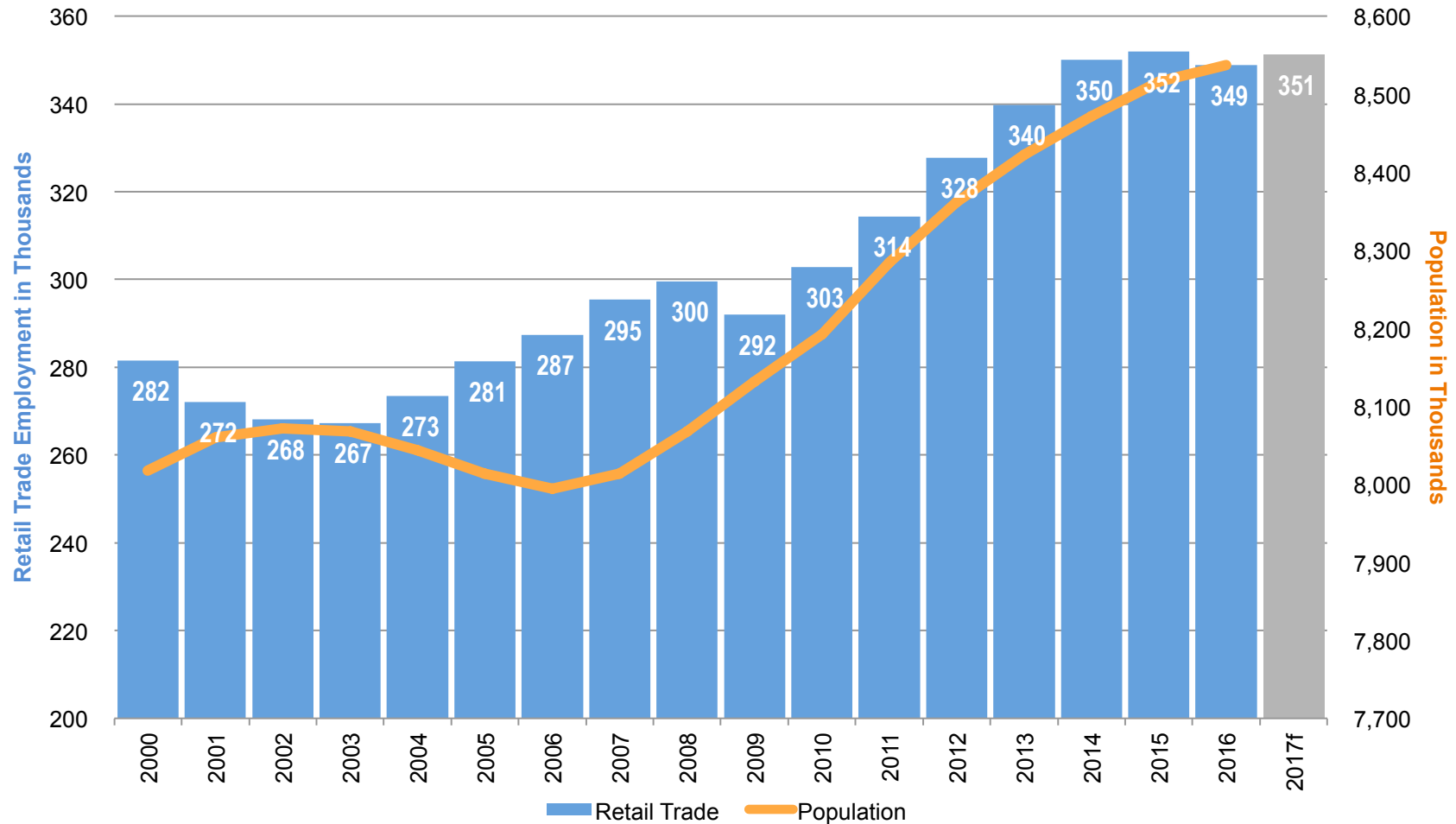
# NYC Sales Tax (Common Rate & Base) & NYC Personal Income



# NYC Retail Trade Employment & Real Estate

# Population growth has helped drive retail trade employment growth during the current expansion

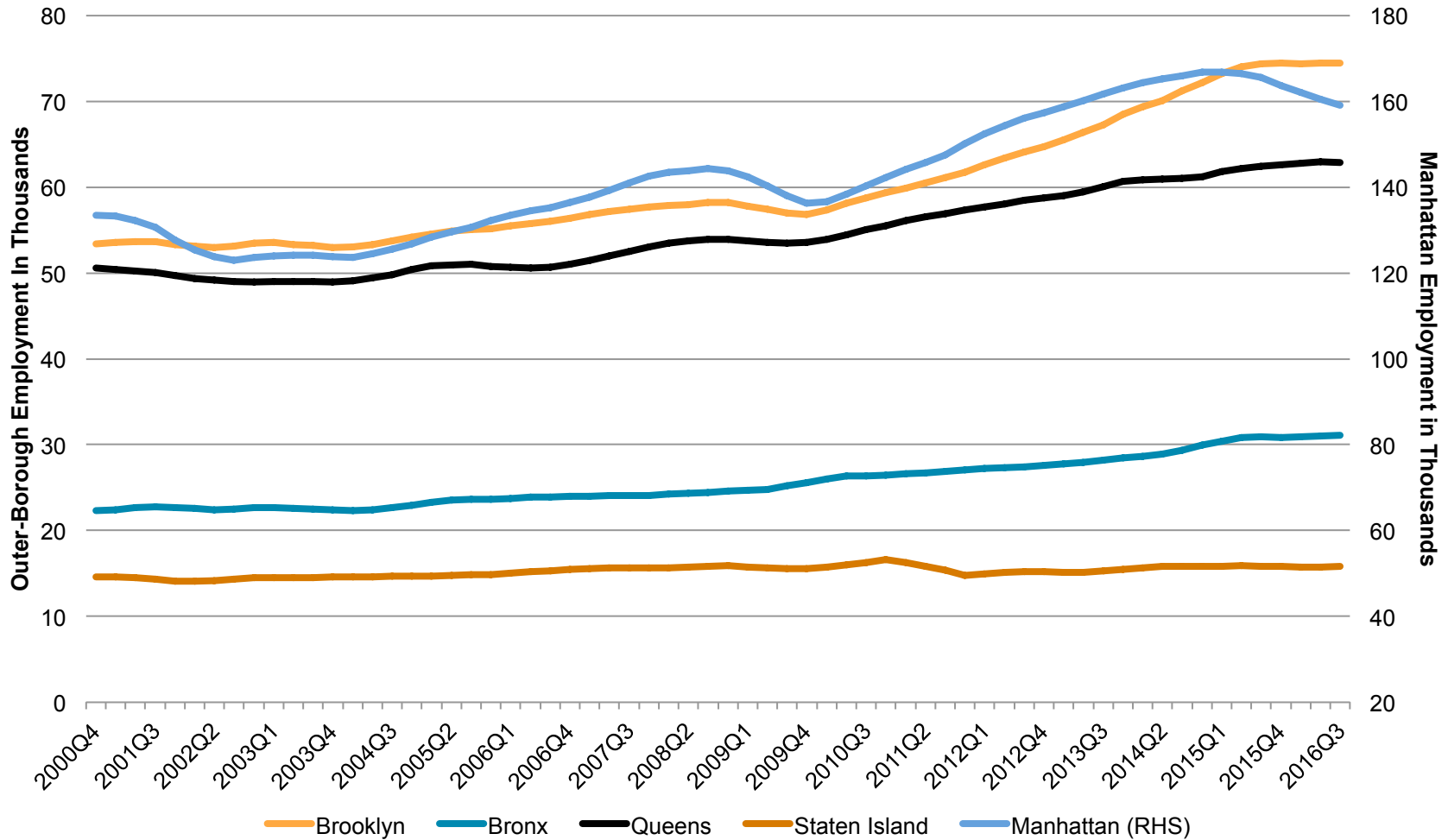
Retail Trade Employment vs. Population



Source(s): Census Bureau, U.S. BLS, NYC OMB Calendar Year

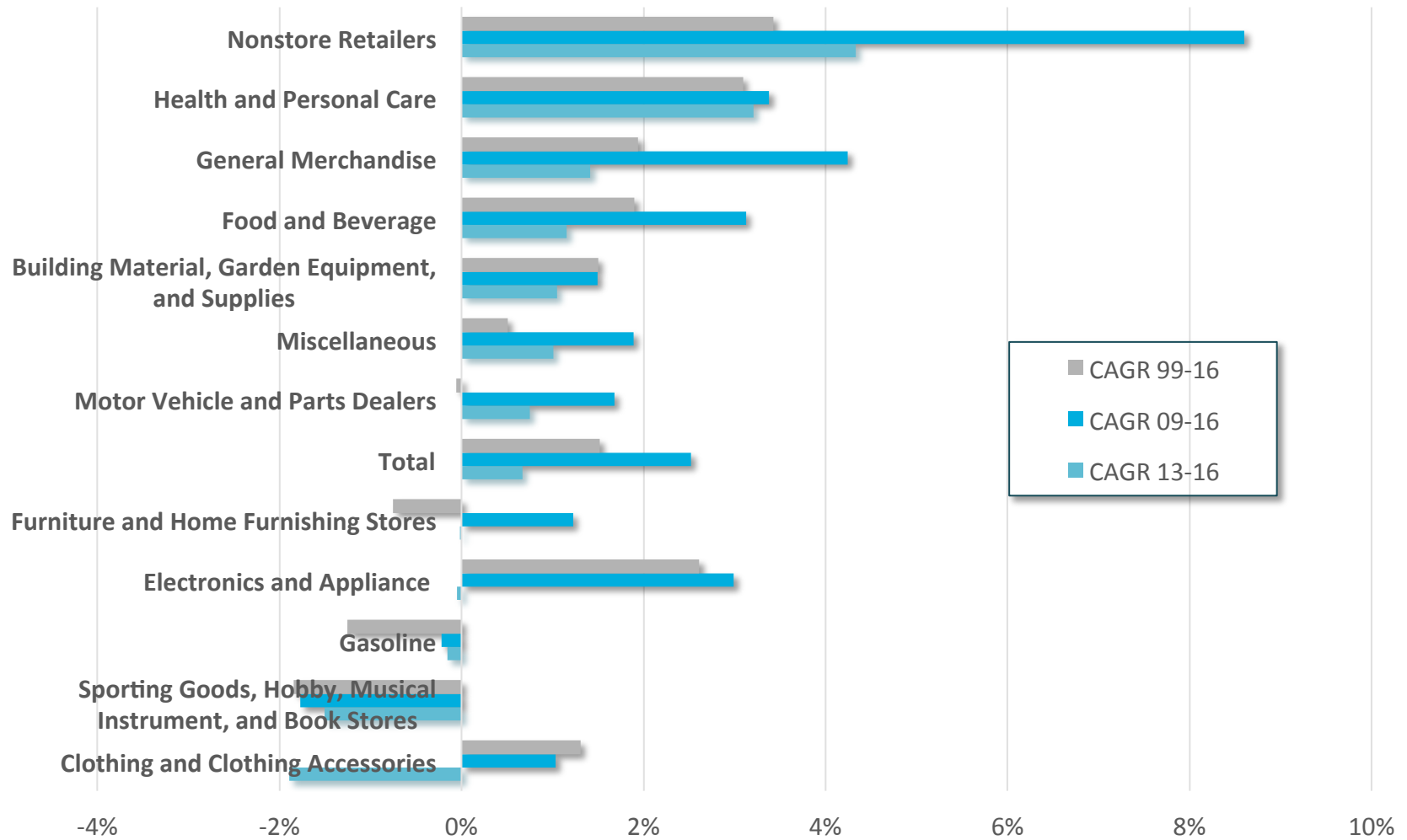
# The recent decline in retail employment is concentrated in Manhattan

Retail Trade Employment by Borough (4-qtr MA)



Source(s): NYS DOL, NYC OMB

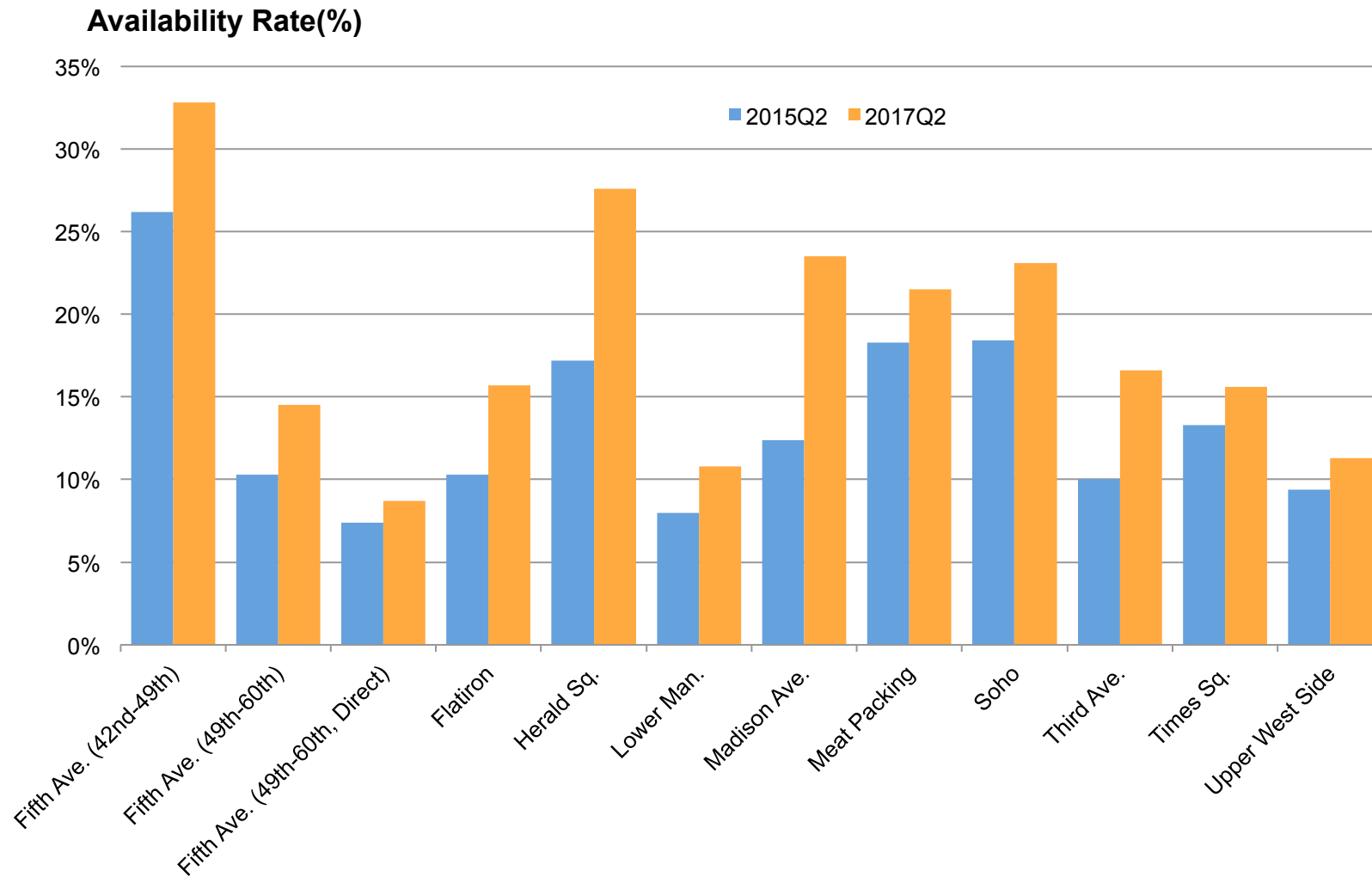
# NYC Employment



Source(s): BLS, NYC OMB



# Retail availability has risen throughout Manhattan



Source(s): Cushman & Wakefield, NYC OMB

Note: Availability rate is the total amount of available space being marketed divided by the total inventory of space.

# Conclusion

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- NYC Sales Tax has decelerated in the past few years, following robust post recession growth.
- The slowdown is largely due to moderate income growth. However, weak visitor spending associated with a slowdown in the tourism industry has led to additional drag.
- NYC is also seeing growth in the e-commerce sector.
- The growth in e-commerce though appears to a substitution for traditional brick and mortar stores.
- As a result traditional retail employment in brick and mortar stores has slowed, as has demand for retail stores in Manhattan.
- Lastly, it is possible that another potential drag on sales tax is that the increased competition from e-commerce has driven prices down.