

New York State County Budgets Depend on Collecting Tax on Cigarette Sales at Native American Reservations

Losses to Local Governments

In 2008, sales tax revenues were \$11.5 billion, which was 16.1% of the total tax revenues for New York local governments.¹ In 2009, total county and New York City sales tax revenues were \$10.8 billion – 5.9% below the total revenues in 2008 (see table on next page for breakdown by locality).²

Tax-paid cigarette sales are an important component of the local sales tax base. In 2009, tax-paid cigarette sales accounted for approximately \$337.8 million in local sales tax revenues for all New York counties and New York City.³ Therefore it is important for localities to not implement policies that encourage adult smokers to purchase their cigarettes from lower taxed or untaxed sources including across county/state borders, or on Native American reservations.

The potential dollar losses to the localities from tax avoidance activities are not small. Based on an average per pack price of \$8.24 and an average local sales tax rate of 4.3% every time a pack of cigarettes is sold that avoids a local sales tax in New York, a county in New York (or New York City) loses, on average, \$0.36 in local government sales tax revenue.⁴

Any revenue losses localities face will need to be paid for with either spending reductions or tax increases elsewhere. Localities largest revenue source is property taxes and the average tax burden on a property parcel rose 8.7% in 2009 despite the tough economic times.⁵ Cigarette tax avoidance activities could force even further increases in New Yorkers' local property tax burden.

Losses to Local Retailers

Tax-paid cigarette sales are also an important revenue source for the more than 23,000 retailers across New York state.⁶ For instance, according to the National Association of Convenience Stores, cigarette sales account for 35.9% of all in-store revenues.⁷

Consequently, legitimate retailers located in counties across New York may lose sales and revenues when adult tobacco consumers shift their purchases across county and possibly state lines or to other sources, such as Native American territories, or other forms of contraband sales where taxes are often not collected.

Legitimate cigarette sales are an important revenue source for local governments and retailers in New York. However, New York's current failure to collect excise taxes on cigarettes sold through tribal retailers has created an enormous loophole in the tax collection system for both state and local governments in New York. With the recently passed \$1.60 state excise tax increase, it is more important than ever for local elected officials and other local leaders to support efforts to collect the excise tax on cigarettes sold through Native American reservations to non-tribal members.

¹ "2008 State and Local Government Finance" U.S. Census, <http://www.census.gov/govs/estimate>.

² "County Sales Tax Collections 2007-2009 Including New York City" <http://www.osc.state.ny.us/localgov/pubs/research/snapshot/countycollectiontable.pdf>.

³ The \$337.8 million estimated sales tax revenues is based on locality specific tax-paid sales from ALCS STARS database for 2009; average New York tax-paid cigarette price of \$7.61 from Bill Orzechowski & Rob Walker, *The Tax Burden on Tobacco*, vol. 44; funded in part by Altria Client Services Inc.; and, actual local sales tax rates from each locality.

⁴ The \$0.36 in local government sales tax revenue is based on locality specific tax-paid sales from ALCS STARS database for 2009; average New York tax-paid cigarette price of \$7.61 from Bill Orzechowski & Rob Walker, *The Tax Burden on Tobacco*, vol. 44; funded in part by Altria Client Services Inc.; and, actual local sales tax rates from each locality.

⁵ New York State, Office of Real Property Tax Services; http://www.orps.state.ny.us/cfapps/MuniPro/osc/oscCountytaxlevy.cfm?c=01&fiscalyr_ending=2009.

⁶ ALCS STARS database as of 10/02/10

⁷ *State of the Industry: Convenience Store Totals, Trends & Averages*, NATIONAL ASSOCIATION OF CONVENIENCE STORES, 2009.



New York State County Budgets Depend on Collecting Tax on Cigarette Sales at Native American Reservations

County	Local Sales Tax			Average Residential Property Tax	
	Local Rate (in Addition to State 4%)	Estimated Cigarette Sales Tax Rev. (millions)	Total Local Sales Tax Change vs 2008	2009 Bill	% Change, 2008
TOTAL	4.300% (Avg)	\$337.8	-5.9%		
Albany	4.000%	\$7.9	-7.8%	\$4,053	7.3%
Allegany	4.500%	\$0.5	-2.2%	\$2,072	7.1%
Broome	4.000%	\$4.3	-4.1%	\$2,886	12.6%
Cattaraugus	4.000%	\$16.5	-1.2%	\$2,250	8.6%
Cayuga	4.000%	\$1.6	-2.1%	\$2,745	5.9%
Chautauqua	3.750%	\$1.9	1.2%	\$2,332	3.6%
Chemung	4.000%	\$1.8	-5.8%	\$2,126	9.3%
Chenango	4.000%	\$1.3	-6.1%	\$2,183	4.9%
Clinton	4.000%	\$1.2	-5.6%	\$2,676	4.9%
Columbia	4.000%	\$1.9	-4.6%	\$4,653	7.8%
Cortland	4.000%	\$1.1	-3.9%	\$3,381	19.3%
Delaware	4.000%	\$1.3	-9.8%	\$2,476	11.3%
*Dutchess	4.125%	\$7.2	-7.5%	\$5,413	3.7%
Erie	4.750%	\$13.1	-3.2%	\$2,701	2.8%
Essex	3.750%	\$1.0	-6.8%	\$2,650	17.3%
Franklin	4.000%	\$0.9	-7.5%	\$2,252	18.3%
Fulton	4.000%	\$1.9	-5.6%	\$2,268	9.0%
Genesee	4.000%	\$0.6	-6.5%	\$2,865	5.3%
Greene	4.000%	\$1.6	-8.6%	\$3,096	9.6%
Hamilton	3.000%	\$0.1	-2.4%	\$2,197	0.5%
Herkimer	4.250%	\$1.5	-3.3%	\$2,228	19.5%
Jefferson	3.750%	\$3.6	-3.8%	\$2,137	9.4%
Lewis	3.750%	\$0.4	-5.7%	\$1,756	7.5%
Livingston	4.000%	\$1.0	-6.6%	\$3,256	10.1%
Madison	4.000%	\$0.6	-4.0%	\$3,027	9.6%
Monroe	4.000%	\$11.6	-6.2%	\$3,787	2.2%
Montgomery	4.000%	\$1.5	-9.5%	\$2,456	6.9%
*Nassau	4.625%	\$28.5	-5.6%	NA	NA
*New York City	4.875%	\$77.4	-5.9%	\$8,896	NA
Niagara	4.000%	\$2.5	-1.6%	\$2,756	2.4%
Oneida	4.750%	\$5.2	0.2%	\$2,471	9.6%
Onondaga	4.000%	\$8.6	-5.4%	\$3,213	3.7%
Ontario	3.500%	\$2.1	-2.5%	\$3,847	7.9%
*Orange	4.125%	\$8.3	-4.2%	\$5,608	2.5%
Orleans	4.000%	\$0.4	-4.1%	\$2,762	10.7%
Oswego	4.000%	\$3.4	-0.8%	\$2,459	8.8%
Otsego	4.000%	\$1.6	-6.5%	\$2,261	4.6%
*Putnam	4.375%	\$2.2	-10.1%	\$7,886	3.0%
Rensselaer	4.000%	\$4.6	-4.0%	\$3,825	8.4%
*Rockland	4.375%	\$4.4	-3.3%	\$8,159	9.7%
St. Lawrence	3.000%	\$1.5	-7.1%	\$1,789	8.0%
Saratoga	3.000%	\$5.1	-8.3%	\$3,675	5.3%
Schenectady	4.000%	\$4.5	-6.7%	\$4,162	7.9%
Schoharie	4.000%	\$0.9	-7.5%	\$2,696	5.6%
Schuyler	4.000%	\$0.3	5.0%	\$2,490	10.8%
Seneca	4.000%	\$0.6	9.8%	\$3,025	22.6%
Steuben	4.000%	\$2.1	-6.2%	\$2,409	12.1%
*Suffolk	4.625%	\$54.2	-8.3%	\$5,739	1.0%
Sullivan	4.000%	\$2.2	-7.8%	\$3,910	9.6%
Tioga	4.000%	\$0.7	-0.4%	\$2,603	12.7%
Tompkins	4.000%	\$1.7	-5.2%	\$4,129	3.2%
Ulster	4.000%	\$5.2	-7.5%	\$4,809	6.5%
Warren	3.000%	\$2.3	-8.1%	\$3,069	5.5%
Washington (FY 2009)	3.000%	\$1.4	-10.0%	\$3,425	16.7%
Wayne (FY 2009)	4.000%	\$1.9	-2.6%	\$3,235	9.4%
*Westchester, except below	3.375%	\$14.9	-10.3%	\$11,783	7.2%
Mount Vernon (city)	4.375%				
New Rochelle (city)	4.375%				
White Plains (city)	4.375%				
Yonkers (city)	4.375%				
Wyoming	4.000%	\$0.4	-4.8%	\$2,515	13.9%
Yates	4.000%	\$0.5	-1.8%	\$3,651	22.2%

*Rates in these jurisdictions include 3/8% imposed for the benefit of the Metropolitan Commuter Transportation District.

