



Sales Tax Collections Report

2018 Year-to-Date¹ Sales Tax Collection is up (+4.4%), a \$22.6 million Increase Year-over-Year.

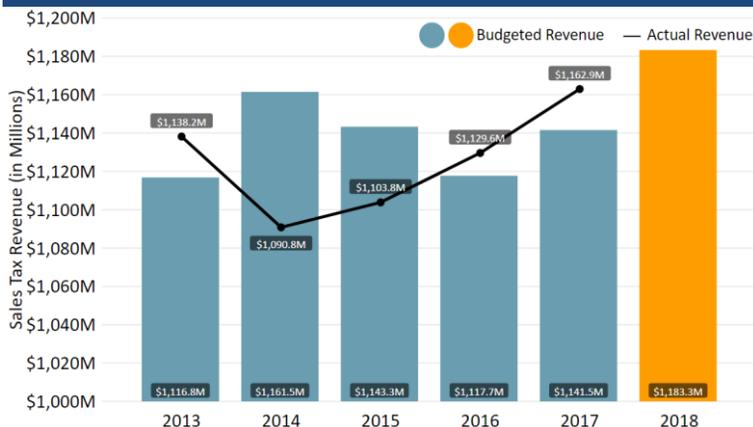
OVERVIEW

- Sales Tax is the leading source of revenue for Nassau County, accounting for **39.5%** of the Major Operating Funds' total revenue base as reported in the 2018 NIFA conformed budget. Year-to-date 2018 revenues total \$531.9 million, up 4.4% compared to \$509.4 million in 2017.
- Collections are expected to remain strong throughout the remainder of the year. Based on near-term economic conditions, the Office of the Nassau County Comptroller is **projecting actual collections to surpass budgeted revenues by \$11-12 million.**

"The outlook for Nassau County sales tax collections is generally upbeat as rising incomes and progress in the regional economy help maintain healthy gains through the end of the decade," said Brittney Merollo, from Moody's Analytics.

"Collections will soften in later years, however, due to the negative impact of the new tax law on Nassau County's housing market and a slower national and regional economic expansion."

Chart 1: Actual vs. Budgeted Sales Tax Revenue



Source: Nassau County

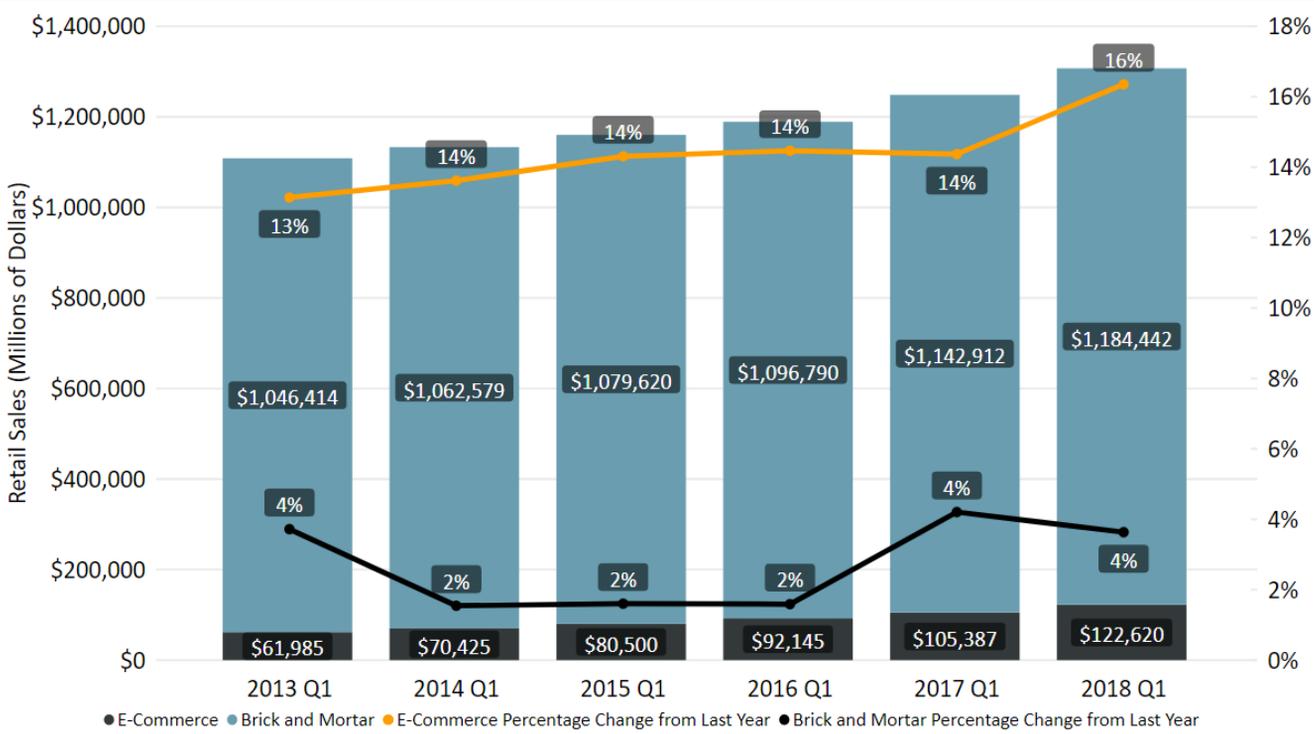
Internet Sales Tax – Supreme Court Ruling

- The recent U.S. Supreme Court ruling on South Dakota v. Wayfair, which overturned the “physical presence requirement,” now allows states to collect sales tax from online retailers. The decision overturned Quill Corp. v. North Dakota (1992), which held that the Dormant Commerce Clause barred states from requiring retailers to collect sales or use taxes in connection with mail order or internet sales unless those retailers have a physical presence in the taxing state.
- The New York Association of Counties (NYSAC) estimates that approximately **\$275 million in state and local sales taxes would be collected in the first year** under Governor Andrews Cuomo’s recent proposal to expand sales tax collection to online purchases.
- According to the Long Island Regional Planning Council (LIRPC), **Long Island could generate \$92 million yearly from internet sale tax.** Such revenue could help alleviate high property taxes and in turn encourage business growth and home ownership.
- As illustrated below in Chart 2, E-commerce sales has accounted for 9.3% of retail sales in quarter 1 2018 and **year-over-year growth has consistently outpaced that over the brick and mortar stores.**



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Chart 2: Nassau County E-Commerce Sales has increased more compared to Brick and Mortar Sales



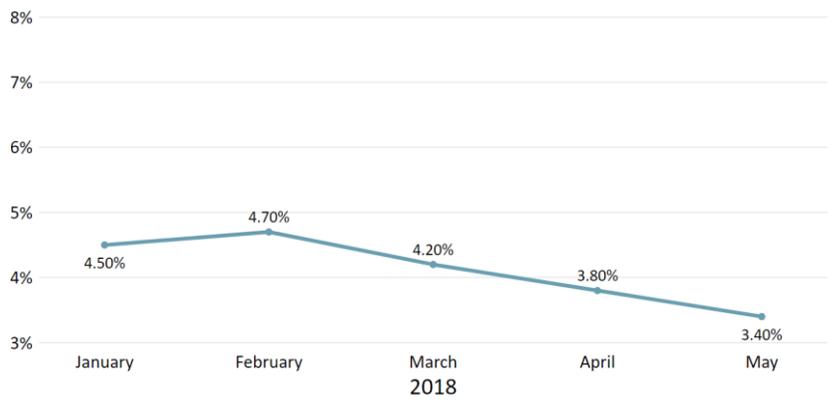
Source: Open Data NY

Driving Factors for Increased Sales Tax Revenue

1. Consumer Spending

- Unemployment Rate:** The Nassau County unemployment rate as reported by the Bureau of Labor Statistics illustrates a steady decrease as the rate fell below 4.0% in April 2018 and further decreased to 3.4% in May 2018, a value last achieved in May 2007.
- Disposable Personal Income "DPI":** The 2017 Tax Cuts and Jobs Act has increased disposable incomes, as a result of lower tax brackets, boosting earners take-home pay. According to the Bureau of Economic Analysis, national DPI has increased \$63.2 billion (+0.4%) in May 2018 compared to the prior month.

Chart 3: Nassau County Unemployment Rate Declines

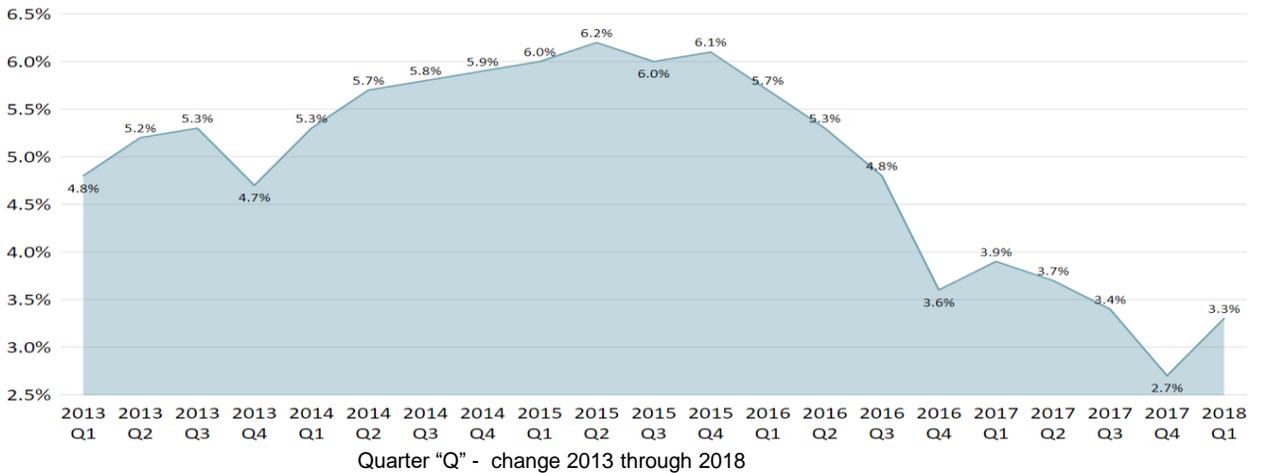


Source: Nassau County Office of Management and Budget



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Chart 4: National Personal Savings Rate has Declined Over the Past 5 Years



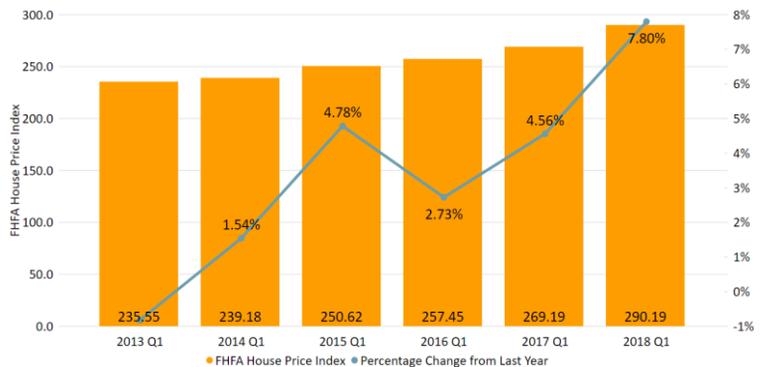
Source: Bureau of Economic Analysis

- Personal Savings Rate:** The Bureau of Economic Analysis also reports a decrease in the average national personal savings rate. Personal savings rate has decreased over the past five years, illustrating that there is more disposable income currently in the market which in turn is contributing to increased consumer spending.

2. Housing Market

- According to Federal Housing Finance Agency "FHFA" Housing Price Index, which measures the movement of single-family house prices, the Nassau-Suffolk region has seen a year-over-year increase from 4.56% in 2017 Q1 to 7.80% in 2018 Q2.
- 2017 Tax Cuts and Jobs Act enacted a \$10,000 State and Local Taxes (SALT) Deduction Cap. Given this, sales tax growth is expected to plateau in the years ahead as it will ultimately have a negative impact on the housing market and local economy.

Chart 5: FHFA – Nassau/Suffolk Housing Price Index Increasing



Source: Federal Housing Finance Agency



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3. Economic Development

- Redevelopment of the Belmont Park Arena is scheduled to begin in 2019. The privately funded \$1 billion project will serve as a major sports and entertainment center. It is expected to create 3,100 permanent jobs and 12,300 construction jobs. As the new home of the New York Islanders, as well as the hub of various retail outlets and a new hotel, Belmont Park is expected to promote tourism and bolster consumer spending.
- The \$2.6 billion project to create a third track on the Long Island Railroad was approved last year. The proposed track addition to the Main Line between Floral Park and Hicksville is expected to help ease congestion for those commuting between New York City and Long Island, which will encourage potential employees to seek jobs in Nassau County. However, economic benefits will be delayed as the completion date has been pushed back from December 2022 to early 2023.

Notes:

* Year-to-Date Collections as of July 12, 2018