

**The Impact Sales Tax Sharing
On County, Town and Village Property Tax Burdens
In Allegany County, New York**

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Executive Summary

Introduction. Communities and counties continue to experience a variety of changes. Population size and composition, economic sectors, individual firms, employment opportunities and many other local factors have a continuous if sometimes imperceptible flux. Local governments are influenced by these broader changes in the community and region. Adjustments in local government structure are needed overtime to better serve changing communities. The purpose of this report is to evaluate the broader countywide tax impacts of a change in local government structure. This report examines the sales tax impacts on other Allegany County governments if city charters were proposed and granted to the Villages of Alfred and Wellsville by New York State. If either or both of these villages became cities, a variety of changes would follow, many of which have fiscal implications. For purposes of this report the other potential changes are set aside, and only the fiscal impacts of changes in sales tax distribution are addressed. The impact of county sales tax sharing with towns and villages, without the creation any cities, is also evaluated in this report.

Data and Approach. There were two major tasks in projecting sales tax impacts in Allegany County. First, a method was established to project the changes in the amount of property tax revenue needed by Allegany County in future years, assuming the reduction of sales tax revenue. Second, a method was used to allocate both county property tax burdens and new sales tax revenues to towns and villages in the county. Based on these allocations, the change in net town and village property tax burdens caused by changes in sales tax distribution in the county were calculated. For towns with villages, property tax burdens were evaluated for the town-outside-village only portion of the budget (excluding townwide and special district funds). The analysis relied on a mix of two data sources: historical trend data provided by the Office of the New York State Comptroller which is based on county reporting, and current year updates of this fiscal data which was provided by Allegany County administrative staff.

Results. Any redistribution of tax revenues will result in some municipalities gaining tax resources and others losing tax resources. The results reported here provide initial insights into which towns and villages gain and lose from a decision to share sales tax revenues in Allegany County. The distribution of sales tax revenues based on population will, in general, reallocate property taxes to decrease burdens on village property and increase burdens on town and town outside village property. The incorporation of Wellsville as a city shifts a larger portions of revenue to the city and decreases the number of towns and villages that gain from sales tax sharing. If the county cuts expenditures in response to the loss of sales tax revenue then the level of property tax burden is reduced for all towns and villages.

Given the options presented here, the Village of Wellsville fares best by a change to city status (Options 2, 3, 5 and 6). These option leads to a reduction in tax burdens for current village property owners by nearly half. The Village of Alfred receives the greatest reduction in combined village and county tax burdens under the county wide sales tax sharing options (Options 1 or 4) with no changes in municipal structure (e.g. when Wellsville and Alfred remain villages). Under these options the combine county and village burden on property in the Village of Alfred is reduced by 30 to 40%. The Village

of Alfred receives less property tax burden relief when Wellsville, or both Wellsville and Alfred are incorporated as cities.

The reallocations in this report are based on specific assumptions. There are a variety of other scenarios that could be developed. For example Livingston County distributes to towns a portion of sales tax based on full valuation and a portion based on population. Orange County distributes sales tax revenue to towns and villages based on population, but has a separate pool of funds for towns and for villages. Options could be examined which use full valuation as a criteria for distribution either singly or in combination with population.

Tax policy and distribution is an important element that influences local economic activity and local government service provision. Further examination of tax options is warranted to help identify a sound tax structure for Allegany County's changing federation of communities.