



# The Temporary Clothing Exemptions

*Statistical Analysis of the  
Temporary Sales Tax Exemptions  
for Clothing Sales in New York  
State*

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# Analysis of the Temporary Clothing Exemptions

## Introduction

Legislation passed with the SFY 1996-97 State budget provided for a temporary sales tax exemption for sales of items of clothing and footwear selling for less than \$500. The exemption applied during the week of January 18-24, 1997. Subsequent legislation passed with the SFY 1997-98 and SFY 1998-99 State budgets provided for additional temporary exemptions, changed the exemption thresholds for certain temporary exemptions and provided for a permanent exemption from the State tax. The permanent exemption is scheduled to take effect December 1, 1999 and will apply to items of clothing and footwear selling for less than \$110 (see Table 1). Localities have had the option of also exempting clothing and footwear from the local portion of the sales tax during each of the temporary exemptions. They will have a similar option with regard to the permanent exemption.

Table 1: Exemption Periods

Exemption Period	Items Included	Threshold Limit Per Item
January 18-24, 1997	Clothing and Footwear	\$500 per item
September 1-7, 1997	Clothing	\$100 per item
January 17-23, 1998	Clothing and Footwear	\$500 per item
September 1-7, 1998	Clothing and Footwear	\$500 per item
January 17-24, 1999	Clothing and Footwear	\$500 per item
Permanent Exemption Begins December 1, 1999	Clothing and Footwear	\$110 per item

*New York will have provided five temporary exemption periods when the permanent exemption takes effect on December 1, 1999.*

In November 1997, the Department released a report of the results of the first temporary exemption. This statistical summary re-prints the tables and figures showing the results of that first exemption period. It also presents the results of the second and third temporary exemption periods (September 1-7, 1997 and January 17-23, 1998). As in the first report, the data is based on schedules filed by sales tax vendors that sold clothing or footwear during the temporary exemption weeks.<sup>1</sup>

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## Clothing Sales During the Exemption Weeks

*The total reported sales of clothing and footwear during the first three exemption periods exceeded \$1 billion.*

Tables 2, 3 and 4 show the sales of clothing in each taxing jurisdiction during the first three temporary exemption periods. The tables as well as the maps that follow each table show the percentage of statewide clothing sales taking place in each taxing jurisdiction during the exemption weeks. As indicated in the tables, the total reported Statewide sales of clothing during the exemption periods were \$412 million in January 1997, \$316 million in September 1997 and \$305 million in January 1998.

In each of the three temporary exemption periods the largest portion of clothing sales were in New York City (31 percent, 33 percent and 51 percent respectively). Other taxing jurisdictions in which large portions of Statewide clothing sales took place included Nassau County (20 percent, 13 percent and 13 percent) and Suffolk County (6 percent, 7 percent and 6 percent).

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## Amount of State and Local Tax Reduction

Table 5 shows that the reported State sales tax reduction resulting from the first temporary exemption totaled approximately \$16.5 million. The total reported reduction in local taxes for the counties and cities that participated was approximately \$15.5 million. Of the total State and local tax savings, approximately \$10.5 million was realized within New York City. Other areas in which large amounts of tax savings were realized included Nassau County (\$7.0 million), Suffolk County (\$2.0 million), Albany County (\$1.7 million), City of Yonkers (\$1.5 million) and Westchester County outside the City of Yonkers (\$1.5 million).

*The total reported State and local tax savings attributable to the first three exemption periods was \$81.6 million.*

Table 6 indicates that the second exemption period produced similar tax savings for New Yorkers. The September 1997 exemption period resulted in reported tax savings of \$25.2 million (\$12.7 million in State sales tax and \$12.5 million in local sales tax). Of that total, the largest tax savings was again realized in New York City (\$8.7 million), Nassau County (\$3.6 million), Albany County (\$2.4 million) and Suffolk County (\$1.7 million). In Erie County, which did not participate in the first exemption period, the total tax savings from the second exemption period totaled approximately \$1.1 million.

The January 1998 exemption resulted in reported tax savings of \$24.4 million (\$12.2 million in State sales tax and \$12.2 million in local sales tax). Overall, the distribution of tax savings for the January 1998 exemption is very similar to that of the prior exemption periods (Table 7).

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## Changes in Shopping Patterns - Comparison to Estimated Annual Sales

Analysis of the tax return data from the three exemption periods also indicated changes in regional patterns of clothing sales during the exemption periods compared to normal shopping patterns. For this analysis, each county's percentage of clothing sales during the exemption week was compared to two indicators of the county's "normal" percentage of Statewide clothing sales. The first measure used for comparative purposes was estimated annual clothing sales as published in *Demographics USA - County Edition* by Market Statistics. The second measure was reported taxable sales of apparel and general merchandise retailers for a recent 12 month period (according to the United States Bureau of the Census those two types of stores account for approximately 95 percent of clothing sales in the State).<sup>2</sup> It is important to note that this analysis is not evaluating changes in sales volumes in each county. It is comparing each county's share of the total sales of clothing in New York State on an annual basis and during the exemption weeks.

As discussed in the Department's November 1997 report, the changes in clothing sales patterns among the counties may result from any number of factors. First, the counties showing increases may have attracted shoppers from bordering counties within the State. The increase in some counties portions of Statewide clothing sales may also indicate that the exemption drew shoppers into the counties from neighboring states or Canada. The sales figures could also indicate that consumers in some counties simply had a greater demand for the exempt clothing than consumers in other counties. Finally, the figures could indicate that consumers that normally leave their county to shop for clothing or that normally purchase their clothing by mail order opted to purchase clothing during the exemption period in the county where they reside. Unfortunately, based on tax return data, it is not possible to conclusively determine the reasons for the changes in shopping patterns.

Table 8 compares the percentage of clothing sales taking place in each county during the January 1997 exemption week to the county's percentage of estimated annual clothing sales. The table shows 10 counties whose portion of Statewide clothing sales increased during the exemption period compared to their portion of annual clothing sales. Those counties were Albany County, Nassau County, Niagara County, Ontario County, Putnam County, Rockland County, Seneca County, Sullivan County, Warren County and Westchester County. All other counties in the State as well as New York City experienced decreases or no change in their portion of Statewide clothing sales during the exemption week compared to estimated annual sales.

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As shown in Table 9, the same comparison for the September 1997 exemption period indicates that many more counties experienced increases in their portion of statewide sales. In all, 23 counties experienced increases in their respective portions of statewide clothing sales.

During the third temporary exemption period held in January 1998 the number of counties experiencing increases in their portion of statewide sales dropped back to a level similar to the January 1997 exemption (Table 10). In total, seven counties experienced increases in their portion of statewide clothing sales. Those counties were Essex County, Herkimer County, Nassau County, Ontario County, Seneca County, Sullivan County and Westchester County. In addition New York City experienced an increase in their portion of statewide sales. Of the eight taxing jurisdictions experiencing increases, five (Nassau, Ontario, Seneca, Sullivan and Westchester) also experienced increases in the prior January's exemption. Also worthy of note is that the January 1998 exemption was the first temporary exemption period in which New York City displayed an increase in its relative portion of statewide clothing sales during an exemption period compared to estimated annual sales.

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## Changes in Shopping Patterns - Comparison to Annual Sales for Selected Types of Retailers

One shortcoming of the data used for the preceding comparison is that the annual clothing sales in each county are estimated. As a verification of the results, a proxy for the “normal” level of clothing sales that took place in each county during the prior year was used. That proxy was reported annual taxable sales of apparel vendors and the reported taxable sales of general merchandise vendors. As shown in Table 11, for the January 1997 exemption the results of that analysis were largely similar to the results based on estimated annual clothing sales. However, using the annual taxable sales of general merchandise and apparel stores as a basis of comparison significantly affected the results for the September 1997 exemption. In total, the number of counties showing increases in their percentage change in share of clothing sales dropped from 23 counties to 13 counties. Those counties showing increases in their relative portions based on a comparison to annual sales of selected retailers were Albany, Broome, Dutchess, Essex, Monroe, Montgomery, Nassau, Orange, Rockland, Schenectady, Seneca, Sullivan and Tompkins.

Interestingly, for the third temporary exemption period (January 1998) the results based on the taxable sales of general merchandise and apparel vendors and the results based on estimated annual sales were once again similar. Analysis based on the sales of general merchandise and apparel vendors indicated that four counties and New York City showed increases in their relative portions compared to eight counties based on estimated annual clothing sales.

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## Endnotes

1. All of the data provided regarding sales of clothing and footwear during the exemption weeks are based on schedules filed by vendors that sold clothing during those weeks. However, the Department believes that many vendors selling exempt clothing failed to file the informational schedules. Consequently, the amount of exempt sales in each exemption period are likely to be understated. For example, in the first exemption week the number of vendors filing the schedule totaled 9,829. However, in the second and third exemption periods the number of vendors filing the schedules dropped to 7,406 and 8,093 respectively.
2. According to the 1992 U.S. Census of Retail Trade, apparel and general merchandise stores account for approximately 95 percent of retail sales of clothing. By limiting the population of vendors examined to these types of stores, the analysis of the change in the counties' portions of sales was focused on businesses whose sales were most likely to be affected by the temporary exemptions.