

# COVID-19 pandemic likely to cause sales tax loss for Ohio municipalities

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Small municipalities in Ohio that rely on retail sales taxes from apparel, vehicle sales, restaurants and tourism could see as much as a 50 percent decline in tax revenue because of the COVID-19 pandemic, a new study has found.

The study, published Monday in the journal *Local Development and Society*, also found that municipalities that rely on [grocery stores](#) for sales tax income could see a small increase in funding.

Smaller cities and towns were likely to see big swings in lost or gained [tax revenue](#), while larger cities will only be moderately affected, findings suggested.

And retail sales in every part of the state, no matter the geographical location or size, would be affected by the pandemic. In some areas, a village that could lose as much as 50 percent of its revenue is located adjacent to a village that could gain as much as 25 percent.

"Every metropolitan and nonmetropolitan area has winners and losers," said Yas Motoyama, the study's author and an assistant professor of [city](#) and regional planning in The Ohio State University Knowlton School of Architecture.

"I was originally worried that economically distressed parts of the state may have had more losses, but it turns out that that is not the case."

Overall, Motoyama said places with grocery stores and big-box supercenters were likely to gain tax revenue; places that relied on outlet malls, small clothing shops, restaurants, tourism or car sales were likely to lose revenue.

Ohio has a population of 11.7 million with more than 1,300 municipalities. Of those, Motoyama found that 74 had no retail or food-service establishments and another 429 had no business establishments at all. For this study, Motoyama analyzed the remaining 858 municipalities, which included the [largest cities](#) in Ohio (Columbus, Cincinnati and Cleveland), and everything smaller.

His projections showed that more than 80 percent of those municipalities would experience some revenue loss because of the COVID-19 pandemic. And about 18 percent could see an increase. The municipalities likely to see an increase in revenue were those that had only food and beverage stores and no other retail establishments.

Larger cities were likely to lose revenue, Motoyama found, but those losses were relatively lower—on the order of 9.7 to 12.5 percent—compared with smaller cities that could lose as much as 50 percent.

"Larger cities typically have larger, more diversified tax bases," he said. "Smaller municipalities—those with fewer than 3,500 people—typically have just a few industries. There isn't as much diversity for those municipalities to draw from."

Motoyama used data from the U.S. Department of Commerce for changes in retail sales from February to March 2020, and found that, during that time period, the retail sector in the United States declined by 8.7 percent.

But different types of stores saw different changes. For example, clothing and accessory stores saw a 50.5 percent decrease, furniture sales declined 26.8 percent and motor vehicle sales dropped 25.6 percent. But sales of food and beverages increased 25.6 percent. (That category covers grocery stores and other shops; restaurant sales declined 26.5 percent during that time.) Hotel stays declined 31 percent.

Then, he used data from InfoGroup Business, a private company that gathers data on businesses, to estimate the employment or sales at the business establishment level and to calculate aggregate sales at the municipal level.

He then built mathematical models to show how the number of employees and annual sales revenue might decline in 2020, based on the February and March decline shown in the U.S. Commerce Department data. And he assessed the level of reliance each [municipality](#) in Ohio has on each type of retail business.

For example, the village of Bratenahl, a suburb of Cleveland, has a population of fewer than 1,200 people and a handful of retail spaces, many of which closed during Ohio's COVID-19 lockdown. This city may face up to a 50 percent decline in [revenue](#).

"For these municipalities to continue providing the services they provide—police or road maintenance or trash pickup—they are going to have to find a way to get more money," Motoyama said. "My hope is that these projections can help them prepare for that kind of situation."

**More information:** *Local Development and Society*, [DOI: 10.1080/26883597.2020.1794755](https://doi.org/10.1080/26883597.2020.1794755)

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