

**COUNTY OF CHEMUNG  
OFFICE OF THE COUNTY EXECUTIVE / DIVISION OF BUDGET & FINANCE**

**MEMORANDUM**

**To:** Chemung County Legislature

**From:** Office of the County Executive

**Re:** Plan for: (1) Sales Tax Exemption on Residential Energy Sources; and (2) Sales Tax Cap on Motor Fuel at \$3.00 per Gallon

**Date:** April 6, 2026

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**SUMMARY**

This memorandum transmits for your consideration two proposed sales tax policy measures designed to provide targeted, temporary financial relief to Chemung County residents and consumers (sales tax periods of June 1, 2026 through November 30, 2026):

1. **Residential Energy Sales Tax Exemption** – Authorization for Chemung County to exempt residential energy sources (including natural gas, electricity, propane, heating oil, coal, and wood for heating) from the County’s 4% local sales and compensating use tax.
2. **Motor Fuel Sales Tax Cap** – Authorization to cap the County’s 4% local sales tax on motor fuel such that the tax is applied only to the first \$3.00 per gallon of the retail sales price.

These actions are authorized under Article 29 of the New York State Tax Law (Article 29) and are consistent with measures adopted by other New York counties to mitigate rising energy and fuel costs.

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**FISCAL IMPLICATIONS**

Based on current estimates, the combined fiscal impact of the proposed residential energy sales tax exemption and the motor fuel sales tax cap is approximately **\$2.5 million** across all affected jurisdictions.

The County’s share of this impact is estimated at approximately **\$1.85 million**, with the remaining impact distributed among the City of Elmira, towns, and villages pursuant to the County’s sales tax sharing agreement.

To date, 2026 sales tax collections are **6.39%** above prior-year levels. If this trend continues, total annual gross sales tax revenue is projected to exceed budgeted expectations by **\$3.9 million (county share \$2.9 million)**, thereby offsetting the cost of the proposed measures.

At this time, therefore, the proposed actions are anticipated to be budgetarily neutral to the County, without requiring reductions to planned County services, operations, or budget accounts.

Actual fiscal impacts may vary based on fuel prices, residential energy consumption levels, and broader economic conditions impacting consumer consumption and sales tax revenue performance.

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## REASONS FOR RECOMMENDATION

- **Targeted Cost Relief:** Residential energy and motor fuel are essential household expenditures. These measures provide direct and immediate savings to residents.
  - **Equity Considerations:** Sales tax is regressive in nature, therefore reducing or limiting its application on essential goods benefits lower- and moderate-income households.
  - **Seasonal Alignment:** The proposed sales tax cap on motor fuel is intended to coincide with peak summer driving demand, maximizing benefit to residents.
  - **Economic Support:** Reducing fuel costs may provide secondary benefits by lowering transportation and operating costs for residents and local businesses.
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## BACKGROUND INFORMATION

Under Article 29, Counties may adopt a local sales tax exemption through formal resolution. Such exemptions may only take effect at the beginning of a New York State sales tax quarter (March 1, June 1, September 1, or December 1). Additionally, a 90 Day Notice period is required prior to implementation unless a reduced notice period is approved by the Commissioner of Taxation and Finance pursuant to Tax Law §1210(d).

Similarly, counties retain authority to structure the application of local sales tax on motor fuel. A price cap mechanism limits the taxable base per gallon, thereby preventing additional tax burden as fuel prices increase above the established threshold.

Implementation of both measures will require compliance with notification and filing requirements, which the County Attorney is currently working on with NYS Department of Tax and Finance. Due to the 90 Day Notice requirement (or waiver application), time is of the essence to approve and implement these measures for the start of the June 1, 2026 sales tax quarter. As such, a special meeting of the Budget Committee may be required on April 13, 2026, prior to the Full Legislature Meeting.

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## CONSEQUENCE OF NEGATIVE ACTION

Failure to adopt these measures would result in:

- Continued imposition of the full 4% County sales tax on residential energy sources during peak cooling periods; and
- Continued application of the full sales tax rate to the total retail price of motor fuel, regardless of price increases.

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## **STEPS FOLLOWING APPROVAL**

Upon approval by the Legislature:

1. The Clerk of the Legislature will prepare and certify copies of the adopted resolutions.
2. The County Attorney will coordinate required filings with the New York State Department of Taxation and Finance, including any request to reduce or waive the standard notice period.
3. Required notifications will be transmitted to the NYS Comptroller, NYS Dept of Tax and Finance, and other applicable entities.
4. Implementation will be coordinated to align with the appropriate sales tax quarter and statutory requirements.

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## **RECOMMENDATION**

It is recommended that the Chemung County Legislature approve the enclosed resolutions authorizing:

1. A temporary exemption from the County's 4% sales tax on residential energy sources;  
and
2. A temporary cap on the County's 4% sales tax on motor fuel at \$3.00 per gallon.

These measures represent prudent, time-limited actions to provide meaningful financial relief to Chemung County residents while maintaining fiscal responsibility and stability.

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Please contact the Executive's Office or the County Attorney's Office with any questions or requests for additional analysis.

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