

# Q1 2018



# City of Vallejo Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2018)

## Vallejo In Brief

Vallejo's receipts from January through March were flat compared to the first sales period in 2017. Due to complications from a change-over to a new computer software, the State left some taxpayer activity out of the 1Q18 allocation that is anticipated to be made up with 2Q18 receipts. However, including these allocations and other reporting aberrations, actual sales would have risen 3.5%.

Expected tax collections omitted this quarter produced declines in auto leasing, specialty retailers, quick-service eateries and the food and drugs group. Autos and trucks sales weakened as new motor vehicle dealers returns fell.

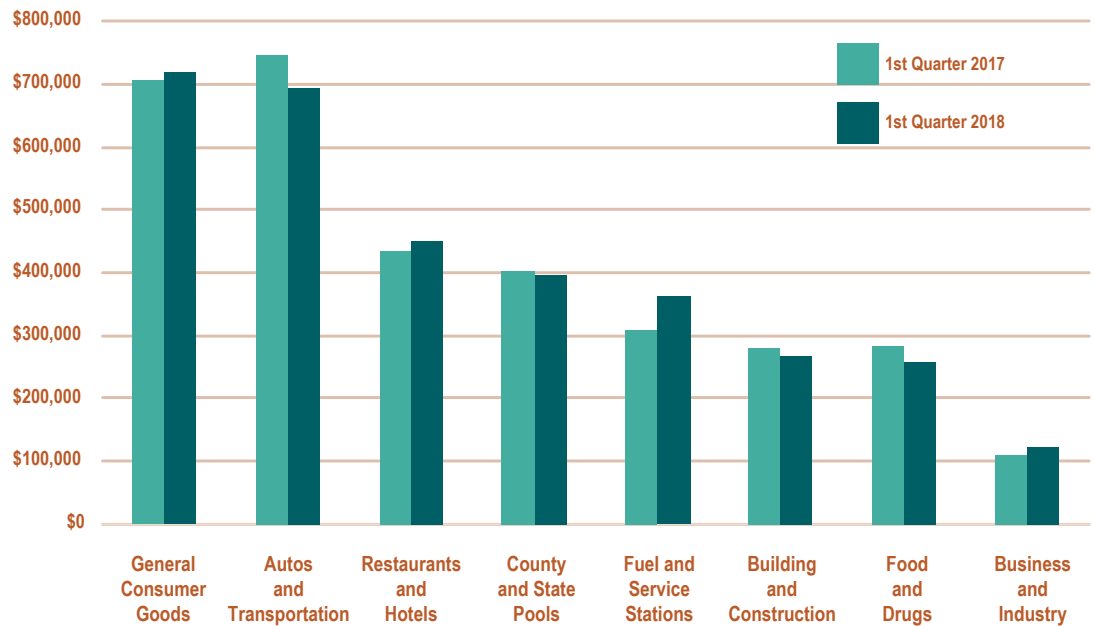
Slower demand for contractor's goods was the primary reason for the building and construction reduction. Countywide pool distributions decreased due to adverse payment anomalies.

Consumer spending was robust at used automotive dealers, building material suppliers and electronics stores. Service stations receipts reflected higher fuel prices

Voter approved Measure V, the City's one cent local tax, added \$3,503,321 which represented 2.4% more than the comparable period.

Net of aberrations, taxable sales for all of Solano County grew 4.2% over the comparable time period; the Bay Area was up 6.7%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco	Motor Coach Industries
AT&T Mobility	Ross
Au Energy Shell Station	Safeway
Autolinx	Safeway Fuel
Avery Greene	Six Flags Discovery Kingdom
Honda	Target
Best Buy	Team Chevrolet
Costco	Cadillac Mazda
Foster Lumber Yard	Hyundai
Home Depot	Toyota Vallejo
Kohls	Tributary Point Arco
Lowe's	Vallejo Nissan
Marshalls	Walmart
McDonalds	Neighborhood Market
Momentum Chrysler/Dodge/Jeep/Kia	

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$9,213,325	\$9,456,433
County Pool	1,315,588	1,347,445
State Pool	8,475	5,985
<b>Gross Receipts</b>	<b>\$10,537,388</b>	<b>\$10,809,864</b>
<b>Measure V</b>	<b>\$10,899,828</b>	<b>\$11,212,997</b>

**CDTFA Changes**

The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

**Statewide Results**

Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HdL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

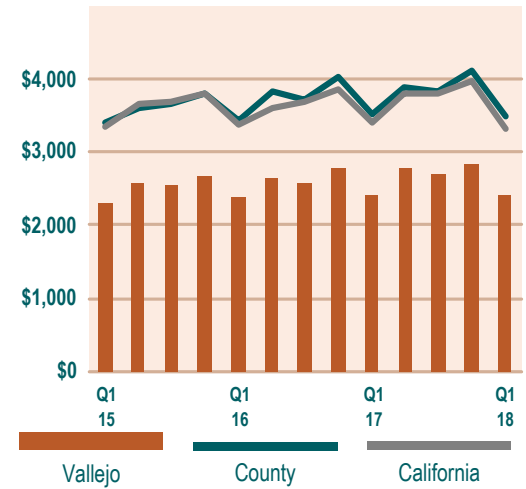
**Supreme Court Ruling**

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by *Quill* is no longer a clear or easily applicable standard, and the on-line interstate marketplace was not the prevailing issue before the court in 1992.

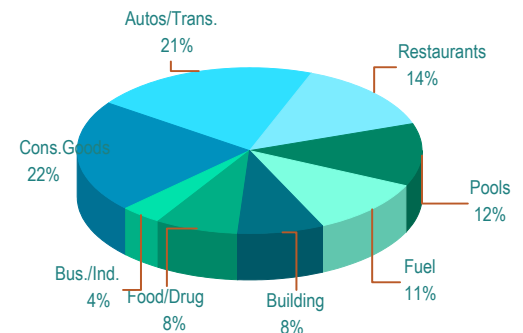
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about \$1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average \$60 per year for each California household, and California businesses average \$171 per year in unpaid use tax liabilities. The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Vallejo This Quarter



**VALLEJO TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Vallejo Q1 '18*	Vallejo Change	County Change	HdL State Change
Automotive Supply Stores	58.7	-4.0%	-5.1%	-4.1%
Building Materials	228.8	10.0%	1.9%	3.8%
Casual Dining	161.9	-0.5%	-2.9%	-2.0%
Convenience Stores/Liquor	54.1	1.1%	-2.5%	0.6%
Discount Dept Stores	— CONFIDENTIAL —		3.8%	2.8%
Electronics/Appliance Stores	108.1	8.0%	2.3%	0.8%
Family Apparel	73.5	5.4%	2.9%	8.3%
Grocery Stores	113.1	-7.6%	-4.5%	1.9%
Home Furnishings	40.9	-4.3%	-1.8%	-1.1%
Leisure/Entertainment	— CONFIDENTIAL —		22.9%	3.5%
Marijuana Related	66.7	0.0%	-7.3%	19.2%
New Motor Vehicle Dealers	456.0	-10.3%	0.5%	-0.2%
Quick-Service Restaurants	204.1	-2.2%	-4.1%	-3.8%
Service Stations	362.6	17.7%	12.9%	4.6%
Used Automotive Dealers	92.9	20.3%	-6.2%	-4.4%
<b>Total All Accounts</b>	<b>2,873.6</b>	<b>0.1%</b>	<b>0.0%</b>	<b>-1.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>397.8</b>	<b>-1.2%</b>	<b>-1.2%</b>	<b>-2.1%</b>
<b>Gross Receipts</b>	<b>3,271.4</b>	<b>-0.1%</b>	<b>-0.1%</b>	<b>-1.8%</b>