

# Q2 2016



# City of Redlands Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

## Redlands In Brief

Redlands' receipts from April through June were 2.3% above the second sales period in 2015. Excluding reporting aberrations, actual sales were up 0.9%.

Higher sales at existing outlets boosted restaurants and hotels, although the gain for the group was inflated by misallocated payments for fast casual eateries and a leisure/entertainment venue. Accounting adjustments in auto leases lifted the automotive sector; new car sales were down 0.4%.

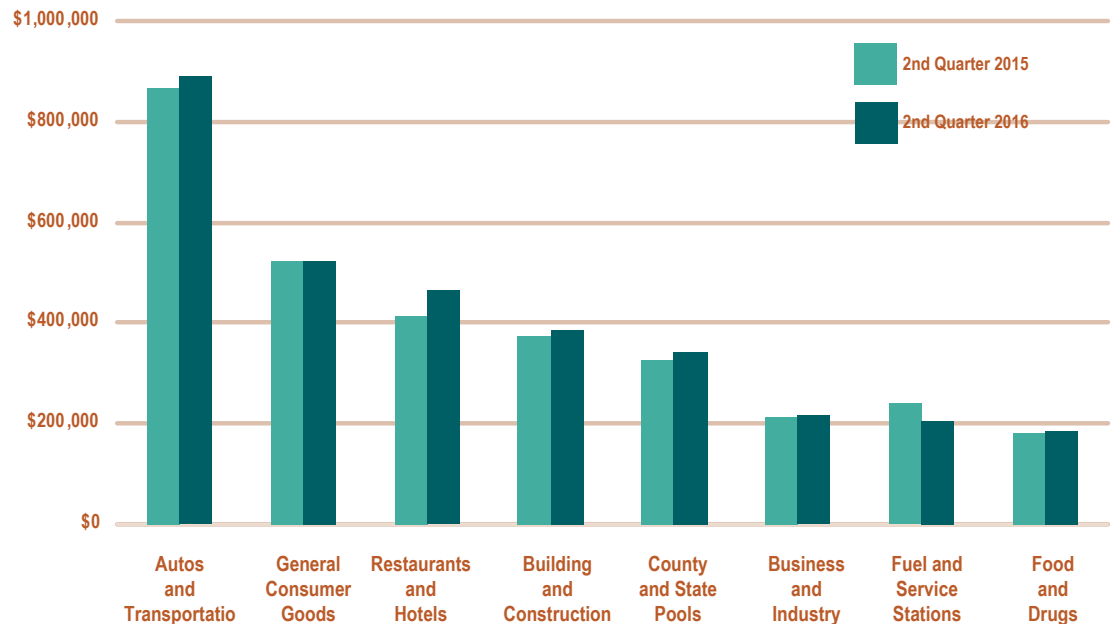
Lumber/building materials and grocery stores posted higher sales, while the City's allocation from the countywide use tax pool increased 4.1% during the quarter.

Corrections of prior misallocated payments that depressed family apparel and specialty store results were largely offset by payment aberrations in electronics and sporting goods. Sales from existing retailers were relatively flat.

The gains were partially offset by continued lower gas prices that reduced service station receipts and a business closeout in medical/ biotech.

Net of aberrations, taxable sales for all of San Bernardino County grew 5.9% over the comparable time period; the Southern California region was up 1.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Burlington Coat Factory	McDonalds
Cal Wholesale Material Supply	Metro Nissan of Redlands
Circle K	Mountain View Services
Citrus Arco	Redlands Chrysler Jeep Dodge Ram
Core Health & Fitness	Redlands Ford
ESRI Systems	Ross
General Motors Acceptance	Shell
Hatfield Buick & GMC Truck	Stater Bros
Home Depot	T Mobile
Kmart	Tom Bell Chevrolet
Lowe's	Tom Bell Toyota
Marshalls	USA Gasoline
	Walmart

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$2,808,045	\$2,867,898
County Pool	325,549	340,351
State Pool	2,334	979
<b>Gross Receipts</b>	<b>\$3,135,928</b>	<b>\$3,209,228</b>
Less Triple Flip*	\$(783,982)	\$0

\*Reimbursed from county compensation fund

**California Overall**

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

**Interest In Tax Reform Grows**

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

**Expand the Base / Lower the Rate:**

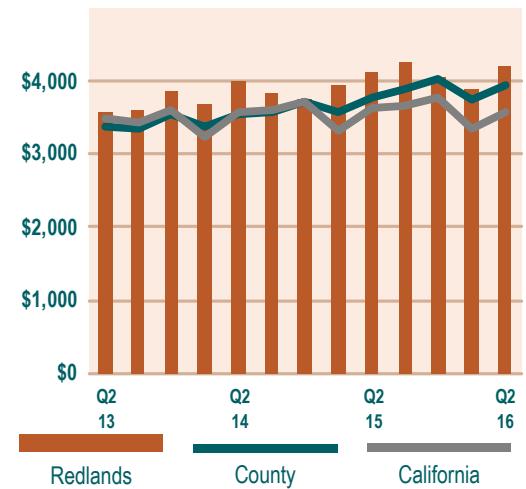
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

**Allocate to Place of Consumption:**

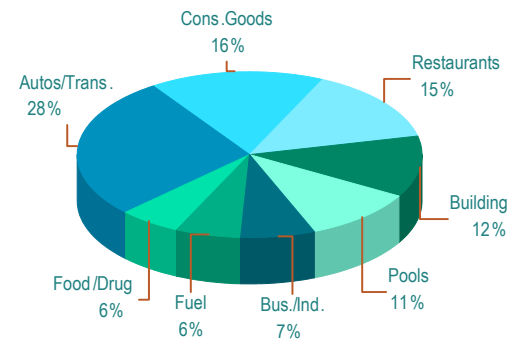
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Redlands This Quarter



**REDLANDS TOP 15 BUSINESS TYPES**

Business Type	<i>*In thousands of dollars</i>			
	Redlands Q2 '16*	Redlands Change	County Change	HdL State Change
Auto Lease	52.4	195.9%	48.6%	20.6%
Automotive Supply Stores	60.5	3.1%	4.6%	1.5%
Business Services	57.0	11.6%	17.8%	0.7%
Casual Dining	167.4	1.8%	3.8%	4.3%
Contractors	56.1	-8.3%	12.6%	6.4%
Discount Dept Stores	— CONFIDENTIAL —		0.0%	0.7%
Electronics/Appliance Stores	79.2	169.9%	34.1%	22.4%
Fast-Casual Restaurants	51.1	34.2%	7.9%	4.3%
Grocery Stores Liquor	113.2	2.5%	2.0%	1.2%
Lumber/Building Materials	315.3	5.3%	7.7%	3.3%
New Motor Vehicle Dealers	684.7	-0.4%	7.1%	2.7%
Quick-Service Restaurants	205.2	15.0%	6.9%	6.6%
Service Stations	203.2	-15.8%	-20.2%	-19.2%
Specialty Stores	64.0	1.1%	15.5%	2.5%
Sporting Goods/Bike Stores	63.2	144.4%	15.4%	9.4%
<b>Total All Accounts</b>	<b>2,867.9</b>	<b>2.1%</b>	<b>5.4%</b>	<b>-0.6%</b>
<b>County &amp; State Pool Allocation</b>	<b>341.3</b>	<b>4.1%</b>	<b>7.5%</b>	<b>15.2%</b>
<b>Gross Receipts</b>	<b>3,209.2</b>	<b>2.3%</b>	<b>5.7%</b>	<b>1.4%</b>