

# Q3 2018



# City of Paso Robles Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

## Paso Robles In Brief

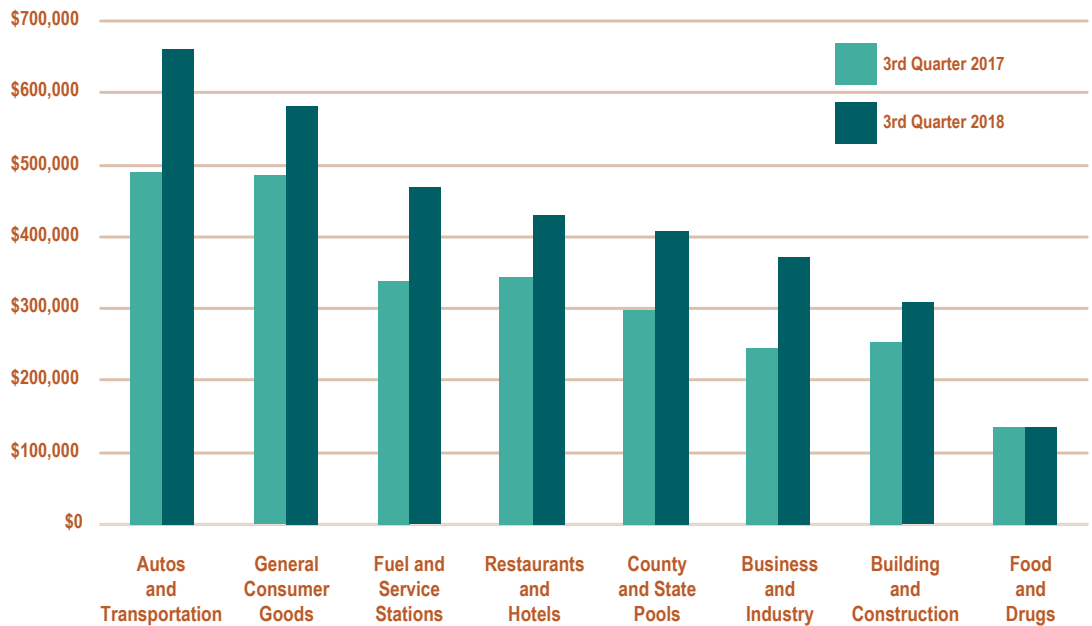
Paso Robles' allocation of sales and use tax from its July through September sales was 30.1% higher than the third quarter of 2017. However, the allocation was inflated by late back payments related to State problems with its new computer reporting system. Actual revenues were up 5.2% when these and other aberrations are factored out.

Higher fuel prices, a solid quarter for trailers/RVs, and a rise in the countywide use tax allocation pool were primarily responsible for the actual increase. The gains were partially offset by a generally soft quarter for other economic sectors.

The City's Voter approved Measure E-12 added \$1,315,648 to the amounts discussed above and rose 5.5% over the third quarter of last year after factoring for State computer issues. The gains in this source came primarily from higher fuel prices and purchases of building-construction supplies and business-industrial equipment.

Adjusted for aberrations, sales and use tax receipts for all of San Luis Obispo County grew 5.9% over the comparable time period while the Central Coast region as a whole, was up 3.3%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Mullahey Chrysler Dodge Jeep Ram
Albertsons	Paco AM PM
Arco AM PM	Paso Robles Chevrolet
Big Creek Lumber	Paso Robles Ford
Borjon Auto Center Buick Gmc	Pellenc America
Chevron	Ross
Easter Rents	Santa Cruz Biotechnology
Firestone Walker Brewery	Sky River
Golden Hill Mobil	Smart & Final
Henderson Petroleum Eagle	South Paso Chevron
Jaco Oil	Target
Kohls	Walmart
Lowes	

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
<b>Point-of-Sale</b>	\$2,292,577	\$2,960,123
<b>County Pool</b>	295,773	407,500
<b>State Pool</b>	1,780	1,522
<b>Gross Receipts</b>	<b>\$2,590,130</b>	<b>\$3,369,145</b>
<b>Supplemental Tax</b>	\$1,250,895	\$1,536,667

**California Overall**

The CDTEFA's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

**South Dakota V. Wayfair Decision**

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

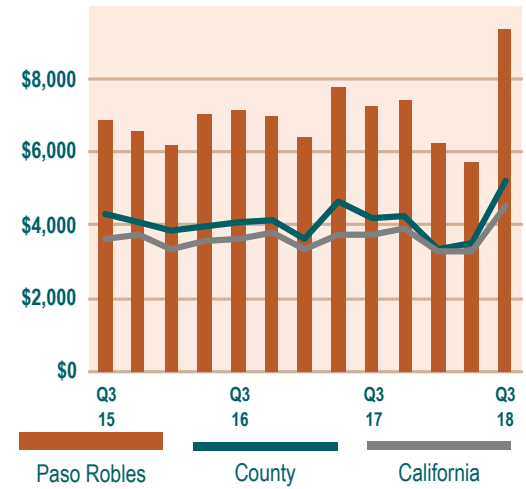
California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

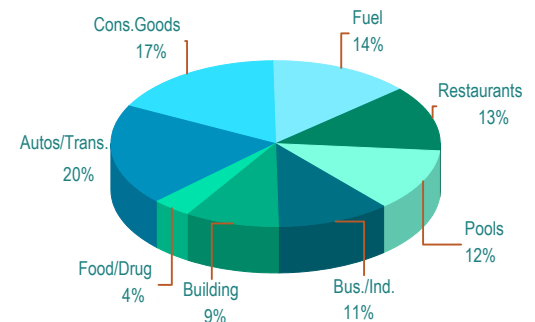
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Paso Robles This Quarter



**PASO ROBLES TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Paso Robles Q3 '18*	Change	County Change	HdL State Change
Automotive Supply Stores	56.1	7.6%	9.7%	9.1%
Building Materials	202.9	14.3%	25.0%	29.7%
Casual Dining	210.3	37.9%	15.0%	14.6%
Contractors	66.4	69.6%	48.9%	37.5%
Discount Dept Stores	— CONFIDENTIAL —	—	13.0%	18.3%
Drugs/Chemicals	— CONFIDENTIAL —	—	225.4%	28.7%
Family Apparel	78.9	55.0%	22.4%	36.4%
Grocery Stores	77.9	0.0%	12.3%	16.1%
New Motor Vehicle Dealers	467.4	40.6%	18.6%	12.7%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	-8.2%	24.6%
Quick-Service Restaurants	119.2	8.9%	13.7%	13.4%
Repair Shop/Equip. Rentals	65.0	49.7%	28.5%	36.0%
Service Stations	384.2	55.8%	46.0%	43.0%
Trailers/RVs	72.2	48.2%	16.0%	14.1%
Warehse/Farm/Const. Equip.	61.9	155.9%	1.8%	37.8%
<b>Total All Accounts</b>	<b>2,960.1</b>	<b>29.1%</b>	<b>24.8%</b>	<b>21.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>409.0</b>	<b>37.5%</b>	<b>32.9%</b>	<b>27.8%</b>
<b>Gross Receipts</b>	<b>3,369.1</b>	<b>30.1%</b>	<b>25.8%</b>	<b>22.6%</b>