

# Q2 2019



# City of Paso Robles Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

## Paso Robles In Brief

Paso Robles' receipts from April through June were 23.6% above the second sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system in the prior year which temporarily delayed distributions to the City. Excluding reporting aberrations, actual sales were down 5.4%.

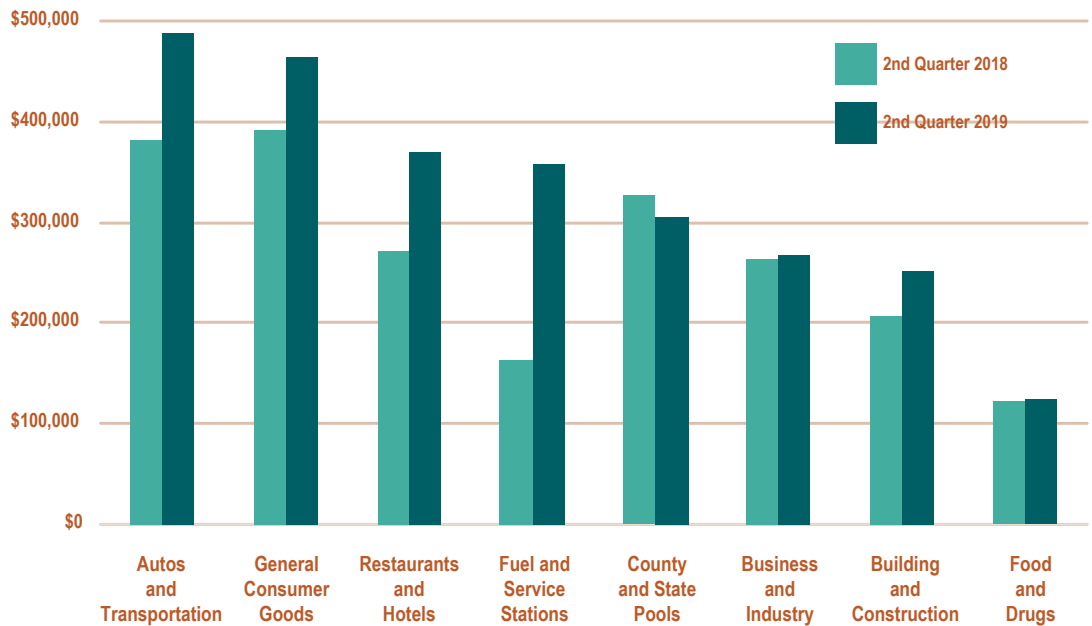
Weak new auto sales activity, the closeout of building material vendor and soft early-summer returns from contractor suppliers were largely responsible for the drop. The business-industrial group declined as garden-agricultural merchants and wineries struggled to match last year's receipts.

These point of sale impacts combined with a lower allocation from the countywide use tax pool due to diminished tax dollars compared to the prior period, further negatively affected the overall results.

The City's voter approved half-cent transaction tax, Measure E-12, generating an additional \$1,273,125 or 20.9% increase over last year, was also dramatically impacted by CDTFA software changes. Once adjusted, the measure experienced a modest increase of 0.8%.

Net of aberrations, taxable receipts for all of San Luis Obispo County grew 3.1% over the comparable time period; the Central Coast region was up 2.8%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	McDonalds
Albertsons	Mullahey Chrysler Dodge Jeep Ram
Arco AM PM	Paso Robles Chevrolet
Big Creek Lumber	Paso Robles Ford
Borjon Auto Center Buick Gmc	Paso Robles Kia
Crop Production Services	Ross
Eagle Energy 76	Sky River
Firestone Walker Brewery	Smart & Final
Golden Hill Mobil	Target
Jaco Oil	Third Base Market & Spirits Pr
JB Dewar	TJ Maxx
Kohls	Walmart
Lowes	

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2017-18	2018-19
<b>Point-of-Sale</b>	\$8,422,285	\$9,810,816
<b>County Pool</b>	1,310,766	1,399,958
<b>State Pool</b>	4,906	4,891
<b>Gross Receipts</b>	<b>\$9,737,958</b>	<b>\$11,215,665</b>
<b>Supplemental Tax</b>	\$4,689,494	\$5,337,578

**California Overall**

The local one percent share of California's sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

**Marketplace Facilitator Act**

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client's sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

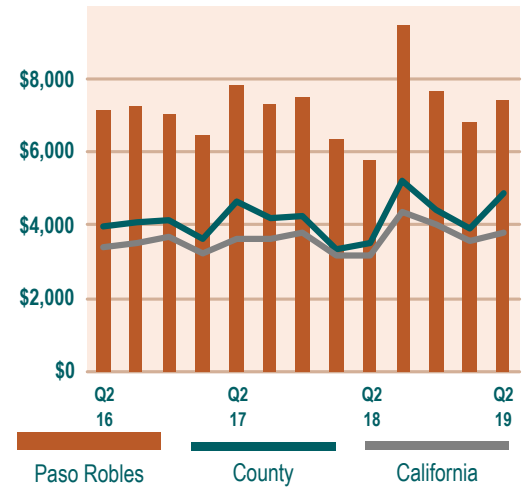
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California's approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

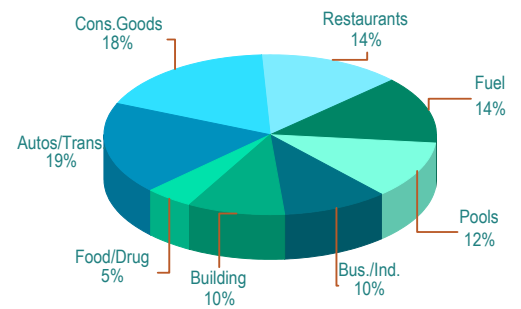
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state's sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

**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 Q2 '19*	Change	County Change	HdL State Change
Automotive Supply Stores	55.7	11.1%	12.1%	16.4%
Building Materials	167.6	17.9%	15.9%	34.1%
Casual Dining	171.4	35.1%	18.6%	24.5%
Contractors	41.1	61.1%	23.5%	26.8%
Discount Dept Stores	— CONFIDENTIAL —		18.1%	26.3%
Electronics/Appliance Stores	41.3	-5.8%	-6.6%	7.0%
Family Apparel	54.6	109.3%	36.2%	45.3%
Garden/Agricultural Supplies	82.0	-13.7%	4.2%	22.0%
Grocery Stores	72.8	4.1%	7.2%	9.6%
New Motor Vehicle Dealers	318.0	47.4%	15.9%	5.4%
Quick-Service Restaurants	100.2	35.4%	28.0%	15.9%
Service Stations	330.4	106.3%	84.8%	51.4%
Trailers/RVs	— CONFIDENTIAL —		-6.4%	6.9%
Warehse/Farm/Const. Equip.	— CONFIDENTIAL —		-3.1%	47.9%
Wineries	35.0	23.5%	27.2%	24.7%
<b>Total All Accounts</b>	<b>2,329.4</b>	<b>29.1%</b>	<b>37.9%</b>	<b>20.1%</b>
<b>County &amp; State Pool Allocation</b>	<b>304.3</b>	<b>-7.0%</b>	<b>-0.6%</b>	<b>22.4%</b>
<b>Gross Receipts</b>	<b>2,633.6</b>	<b>23.6%</b>	<b>32.0%</b>	<b>20.4%</b>