

# Q1 2018



# City of Red Bluff Sales Tax *Update*

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

## Red Bluff In Brief

Red Bluff's receipts from January through March were 3.7% below 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 been up 2.8%.

General consumer goods fell slightly; weaker demand for electronics masked a bump in sales from home furnishings. Autos and transportation declined; steady growth over the past several years has finally peaked in several regions of the state.

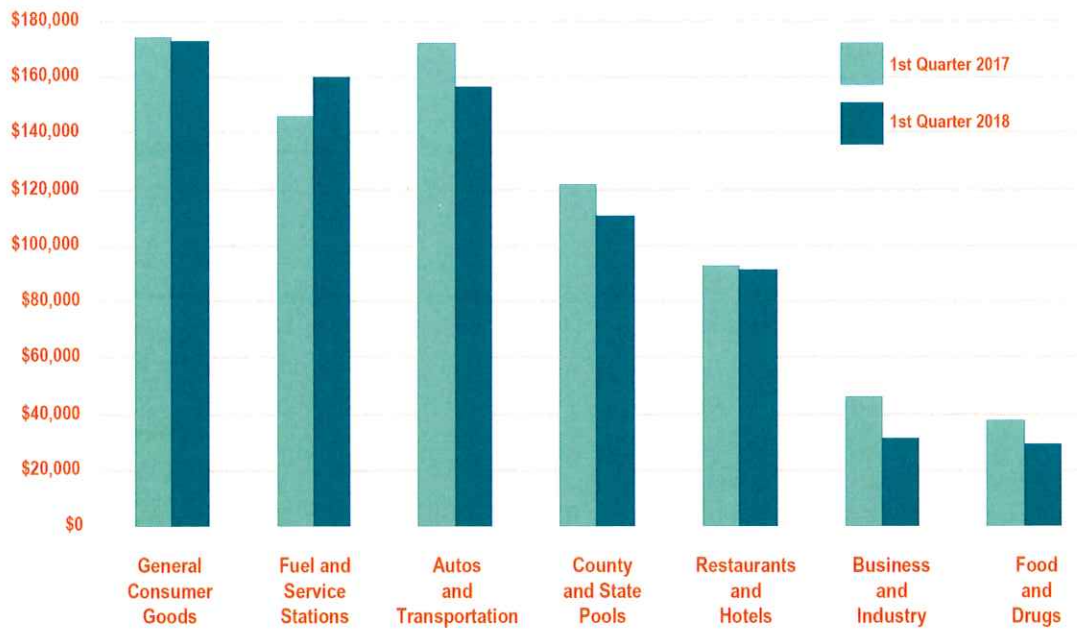
Onetime year-ago collections aided in the decline from the countywide use tax pool distribution. Food-drugs reflected missing payments linked to the system conversion identified earlier.

Positive news came from service stations, which posted strong gains linked to higher fuel prices; this segment has posted double digit growth in four consecutive quarters.

Measure D provided \$223,257 of voter approved local transaction taxes beyond amounts listed above.

Net of aberrations, taxable sales for all of Tehama County grew 2.5% over the comparable time period; the Far North region was up 3.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Adobe Minimart	North Valley
Arco AM PM	Mattress & Oak Outlet
Dollar General	One Stop Gas
Flyers	Raleys
Food Maxx	Red Bluff Chrysler Dodge Jeep Ram
Growney Motors Buick/GMC	Red Bluff Food Mart
Harbor Freight Tools	Red Bluff Shell
Home Depot	Rina's Mini Mart
Jack in the Box	Taco Bell
Les Schwab Tire Center	Tractor Supply
Main Street Auto Sales	USA Gas
McDonald's	Valero
More for Less Gas	Walmart Supercenter

### REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$2,450,483	\$2,511,457
County Pool	353,956	366,189
State Pool	2,245	1,607
Gross Receipts	\$2,806,684	\$2,879,253
Cty/Cnty Share	(280,668)	(287,925)
Net Receipts	\$2,526,016	\$2,591,328
Measure D	\$697,298	\$739,679

**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.

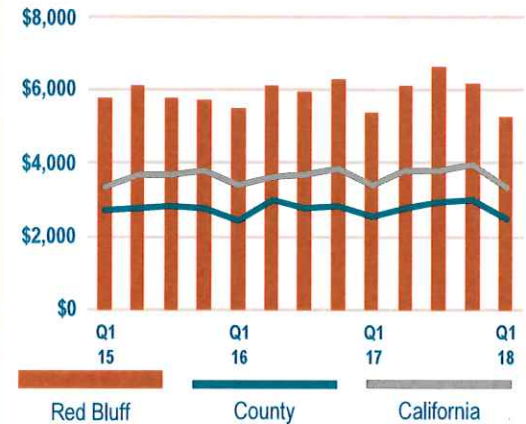
**Supreme Court Ruling**

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 online interstate marketplace was not the prevailing issue before the court in 1992.

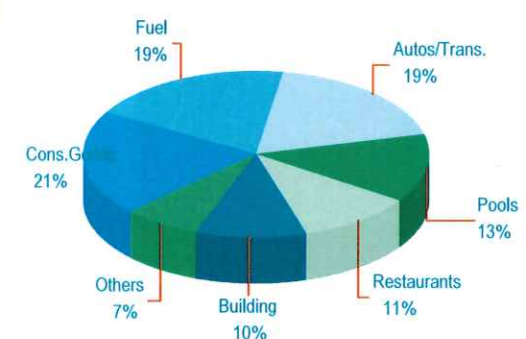
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

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**  
Red Bluff This Quarter



**RED BLUFF TOP 15 BUSINESS TYPES**

Business Type	Red Bluff		County	HdL State
	Q1 '18	Change	Change	Change
Auto Repair Shops	10,128	-2.8%	-4.6%	-7.5%
Automotive Supply Stores	25,326	4.4%	3.1%	-4.0%
Building Materials	— CONFIDENTIAL —	—	9.0%	3.8%
Casual Dining	45,567	-3.8%	-9.5%	-2.0%
Discount Dept Stores	— CONFIDENTIAL —	—	3.4%	2.8%
Electronics/Appliance Stores	11,316	-31.2%	-33.5%	0.8%
Garden/Agricultural Supplies	24,417	6.1%	4.6%	3.0%
Grocery Stores	— CONFIDENTIAL —	—	-4.9%	1.9%
Home Furnishings	11,497	11.8%	8.5%	-1.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-7.1%	-0.2%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	-13.9%	11.6%
Quick-Service Restaurants	39,465	-2.1%	-2.9%	-3.8%
Service Stations	159,267	13.4%	6.2%	4.6%
Used Automotive Dealers	— CONFIDENTIAL —	—	-4.7%	-4.3%
Variety Stores	— CONFIDENTIAL —	—	16.2%	-10.7%
<b>Total All Accounts</b>	<b>728,697</b>	<b>-2.7%</b>	<b>-0.7%</b>	<b>-1.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>110,547</b>	<b>-9.4%</b>	<b>-7.5%</b>	<b>-2.1%</b>
<b>Gross Receipts</b>	<b>839,244</b>	<b>-3.7%</b>	<b>-1.6%</b>	<b>-1.8%</b>
City/County Share	(83,924)	3.7%		
<b>Net Receipts</b>	<b>755,319</b>	<b>-3.7%</b>		