

# Q4 2017



# City of Red Bluff Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2017)

## Red Bluff In Brief

Red Bluff's receipts from October through December were 1.0% above the fourth sales period in 2016. Excluding reporting adjustments, actual sales were up 6.9%.

After many months of decline, rising fuel prices are now generating the largest tax receipt increases for the City. This gain is closely followed by the nearly \$26,000 increase in the City's allocation from the countywide use tax pool which itself grew by \$72,000 this period.

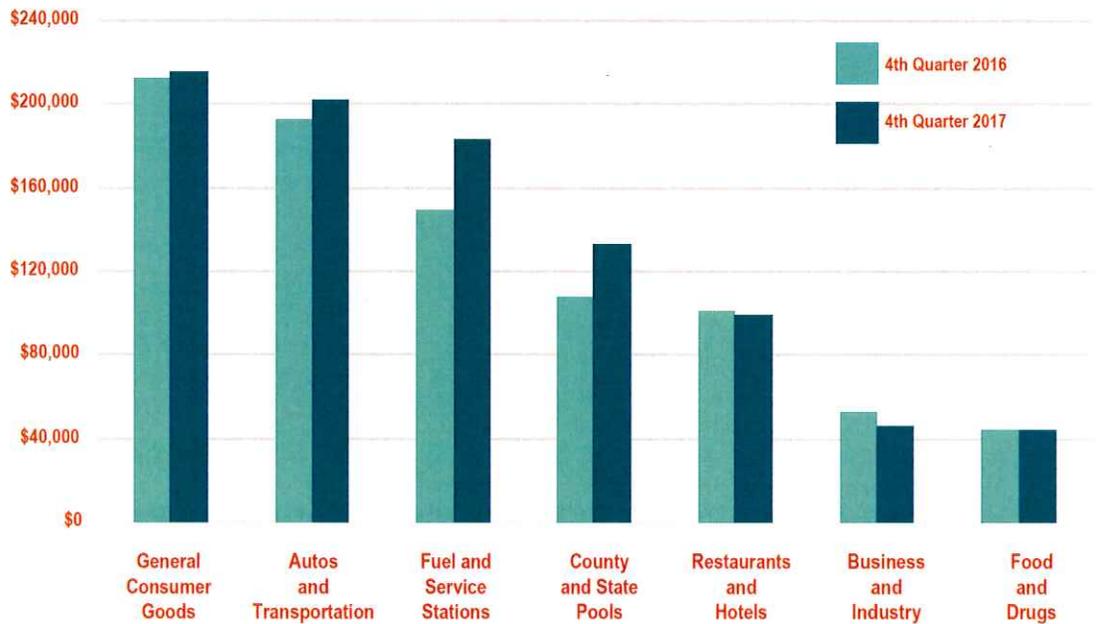
A reporting error in the prior year coupled with lower retail sales pushed down business and industry receipts.

Restaurants were not much busier than this time last year and a few payment adjustments negated those modest gains.

Measure D, the City's .25% local tax, generated \$258,694 or 23.5% more than at this time last year. Sales of new cars, rising fuel prices and new construction brought the largest gains.

Net of adjustments, taxable sales for all of Tehama County grew 8.0% over the comparable time period while those of the entire Far North region were up 9.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

A Wireless	One Stop Gas
Adobe Minimart	Raleys
Arco AM PM	Red Bluff Chrysler Dodge Jeep Ram
Dollar General	Red Bluff Food Mart
Flyers	Red Bluff Shell
Food Maxx	Rina's Mini Mart
Growney Motors Buick/GMC	Sharis Restaurant
Harbor Freight Tools	Taco Bell
Home Depot	Tractor Supply
Les Schwab Tire Center	USA Gas
McDonald's	Valero
More for Less Gas	Walmart Supercenter
North Valley Distributing	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$1,701,267	\$1,782,760
County Pool	233,036	256,279
State Pool	1,169	970
<b>Gross Receipts</b>	<b>\$1,935,472</b>	<b>\$2,040,010</b>
Cty/Cnty Share	(193,547)	(204,001)
<b>Net Receipts</b>	<b>\$1,741,925</b>	<b>\$1,836,009</b>
<b>Measure D</b>	<b>\$469,629</b>	<b>\$516,422</b>

**California Overall**

Factored for accounting anomalies, statewide fourth quarter receipts from local government's one cent sales tax were 4.4% higher than the holiday quarter of 2016.

Rising fuel prices and solid gains from building/construction supplies, restaurants and e-commerce were the primary contributors to the overall increase. A healthy quarter for auto sales and construction equipment were additional factors. Tax revenues from general consumer goods sold through brick and mortar stores rose a modest 1% over last year's comparable quarter while receipts from online sales increased 13.2%.

Performance for the inland areas of the state were generally stronger than the coastal areas which had earlier recovered from the previous downturn.

**Nexus Issue to be Revisited**

In 1992, the U.S. Supreme Court ruled in *Quill v. North Dakota* that businesses lacking a physical presence or "nexus" in a state cannot be required to collect or remit that state's taxes. This does not excuse buyers from paying a corresponding use tax but the costs of enforcement, particularly on smaller purchases, is difficult and local brick and mortar retailers are placed at a competitive disadvantage.

California has been more effective at collecting use tax than most states with an aggressive program of auditing major business purchases, requiring CPA's to report unpaid use tax on client's annual returns and requiring businesses with annual gross receipts of \$100,000 or more to register for the purposes of reporting use tax.

The State has also increased the number of out-of-state sellers required to collect sales tax through broader definitions of what constitutes physical presence including a requirement that larger internet retailers collect and remit sales tax if paying a commission for customer referrals obtained via a link on a California seller's website.

Still, the estimated revenue losses are substantial particularly for agencies with voter-approved transactions tax districts. Because of *Quill*, retailers are

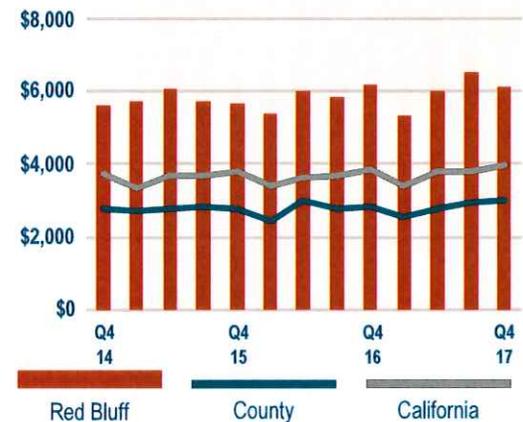
not required to collect the tax for purchases in an adjacent jurisdiction if the retailer has no physical presence in that jurisdiction. The resulting loss to local governments projected by the State Board of Equalization in 2016-17 was \$756 Million in uncollected tax revenues and losses to the state of \$697 Million: (<https://www.boe.ca.gov/legdiv/pdf/e-commerce-2017F.pdf>).

Congress has refused to act on numerous attempts to seek legislative relief over the last two decades. However, three justices – Clarence Thomas, Neil Gorsuch and Anthony Kennedy have recently expressed doubts about the *Quill* decision with Kennedy noting in 2015, that the ruling has produced a "startling revenue shortfall" in many states as well as "unfairness to local retailers and customers."

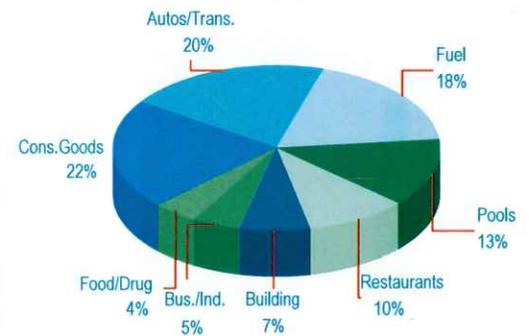
In January 2018, the U.S. Supreme Court agreed to hear arguments in the case of *South Dakota v. Wayfair Inc.* where *Wayfair* is challenging the State's recently adopted requirement that retailers collect and remit, or pay, sales tax on purchases made by South Dakota residents.

Oral arguments are scheduled for April with a decision expected by the end of June 2018.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Red Bluff This Quarter



**RED BLUFF TOP 15 BUSINESS TYPES**

Business Type	Red Bluff		County	HdL State
	Q4 '17	Change	Change	Change
Auto Repair Shops	10,382	22.7%	2.5%	3.6%
Automotive Supply Stores	26,962	12.6%	7.1%	1.9%
Building Materials	— CONFIDENTIAL —	—	10.8%	11.6%
Casual Dining	46,871	-6.5%	-3.5%	3.7%
Discount Dept Stores	— CONFIDENTIAL —	—	-1.0%	4.1%
Drug Stores	9,953	-9.3%	-18.4%	-10.9%
Electronics/Appliance Stores	18,628	10.5%	11.4%	5.8%
Garden/Agricultural Supplies	25,810	1.4%	49.3%	2.3%
Grocery Stores	30,163	0.3%	0.1%	-1.5%
Home Furnishings	9,947	5.5%	3.4%	2.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	14.6%	2.6%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	-24.9%	10.3%
Quick-Service Restaurants	45,916	0.7%	2.2%	4.9%
Service Stations	177,022	22.0%	10.8%	11.4%
Variety Stores	— CONFIDENTIAL —	—	8.1%	10.3%
<b>Total All Accounts</b>	<b>860,974</b>	<b>-1.7%</b>	<b>4.9%</b>	<b>4.0%</b>
<b>County &amp; State Pool Allocation</b>	<b>133,173</b>	<b>23.3%</b>	<b>31.5%</b>	<b>0.8%</b>
<b>Gross Receipts</b>	<b>994,147</b>	<b>1.0%</b>	<b>7.8%</b>	<b>3.6%</b>
City/County Share	(99,415)	-1.0%		
<b>Net Receipts</b>	<b>894,732</b>	<b>1.0%</b>		