

# Q3 2018



# City of Riverside Sales Tax *Update*

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

## Riverside In Brief

Riverside's receipts from July through September were 26.1% above the third sales period in 2017. Excluding reporting aberrations, actual sales were up 6.1%.

The CDTFA appears to have resolved the majority of the software-driven reporting issues that plagued the first and second quarter of 2018 local tax distributions. All categories reported significant increases from double-up payments.

The autos-transportation group reported a strong sales quarter, with SUVs and pickups continuing to dominate the market. Building-construction spending continues to rise, led by transportation and public safety projects.

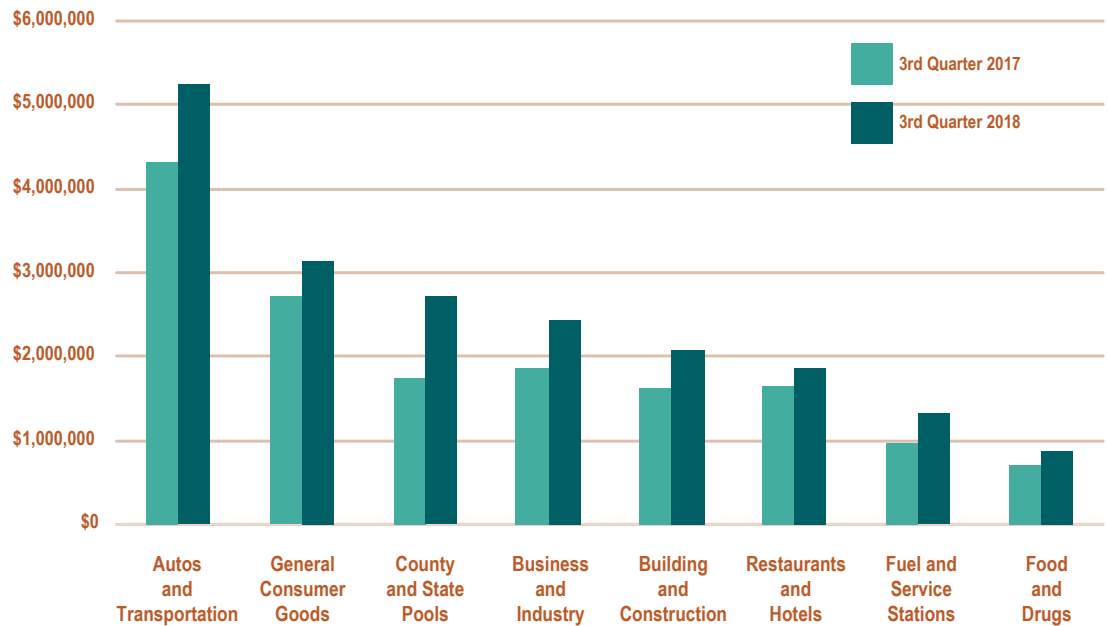
Crude oil prices remained steady, while gasoline and diesel followed seasonal pricing patterns.

Food and drug retailers showed some modest growth, while general consumer goods and restaurants-hotels also had slight increases.

Countywide use tax pool increased 55.5% over the same period in the prior year. The City's 1% district tax, Measure Z, brought in an additional \$17,146,909.

Net of aberrations, taxable sales for all of Riverside County grew 5.8% over the comparable time period; the Southern California region was up 3.8%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Best Buy	Reliable Wholesale Lumber
Carmax	Riverside Chevrolet
Champion Lumber	Riverside Harley Davidson
Consolidated Electrical Distributors	Riverside Honda
Dutton Cadillac, Buick, Pontiac, GMC	Riverside Volkswagen
Fritts Ford	Ross
Home Depot	Sams Club w/ Fuel
Lexus of Riverside	Stater Bros
Main Electric Supply	Target
Moss Bros Chrysler Dodge Jeep Fiat	Toyota of Riverside
Quinn CAT Company	Walmart Supercenter
Raceway Ford	Walters Porsche/Audi/Mercedes Benz
Raceway Nissan	

### REVENUE COMPARISON

One Quarter - Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$13,862,069	\$16,969,219
County Pool	1,741,992	2,711,247
State Pool	10,733	8,894
<b>Gross Receipts</b>	<b>\$15,614,793</b>	<b>\$19,689,359</b>
<b>Measure Z</b>	<b>\$14,070,464</b>	<b>\$17,146,909</b>

**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 4.8% 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.

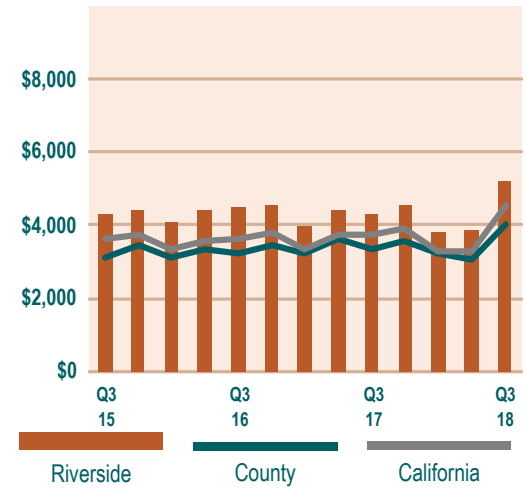
California will begin enforcing the Wayfair reversal effective April 1, 2019

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.

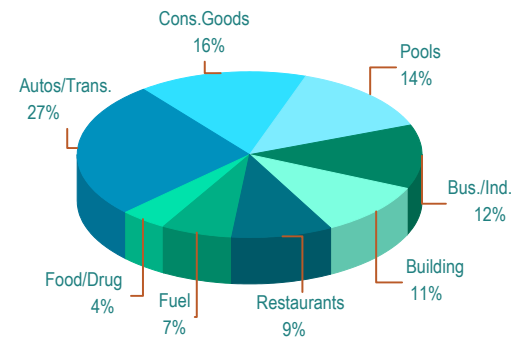
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

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**  
Riverside This Quarter



**RIVERSIDE TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Riverside Q3 '18*	Riverside Change	County Change	HdL State Change
Auto Lease	538.2	62.5%	61.3%	47.1%
Building Materials	1,017.7	20.5%	28.5%	29.7%
Casual Dining	693.2	15.0%	16.3%	14.6%
Contractors	343.8	51.3%	30.6%	37.5%
Department Stores	305.1	-2.9%	-0.5%	-3.6%
Discount Dept Stores	915.0	26.4%	23.8%	18.3%
Electronics/Appliance Stores	371.7	18.3%	15.3%	12.3%
Family Apparel	389.8	35.4%	34.8%	36.4%
Grocery Stores	510.2	30.9%	19.8%	16.1%
New Motor Vehicle Dealers	3,060.4	7.3%	6.4%	12.7%
Plumbing/Electrical Supplies	655.3	30.2%	23.8%	16.1%
Quick-Service Restaurants	870.6	16.9%	17.5%	13.4%
Service Stations	1,312.7	36.4%	41.5%	43.0%
Used Automotive Dealers	676.3	92.0%	71.4%	46.9%
Warehse/Farm/Const. Equip.	— CONFIDENTIAL —		56.6%	37.8%
<b>Total All Accounts</b>	<b>16,969.2</b>	<b>22.4%</b>	<b>22.2%</b>	<b>21.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>2,720.1</b>	<b>55.2%</b>	<b>54.9%</b>	<b>27.8%</b>
<b>Gross Receipts</b>	<b>19,689.4</b>	<b>26.1%</b>	<b>25.9%</b>	<b>22.6%</b>