

# Q2 2016



# City of Menifee Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

## Menifee In Brief

Menifee's receipts from April through June were 10.6% above the second sales period in 2015. Excluding reporting aberrations, actual sales were up 7.6%.

General consumer goods enjoyed a brisk sales quarter. The electronics and appliance group posted higher receipts; however, the overall results were inflated by payment anomalies. New store openings helped boost receipts for automotive supply stores.

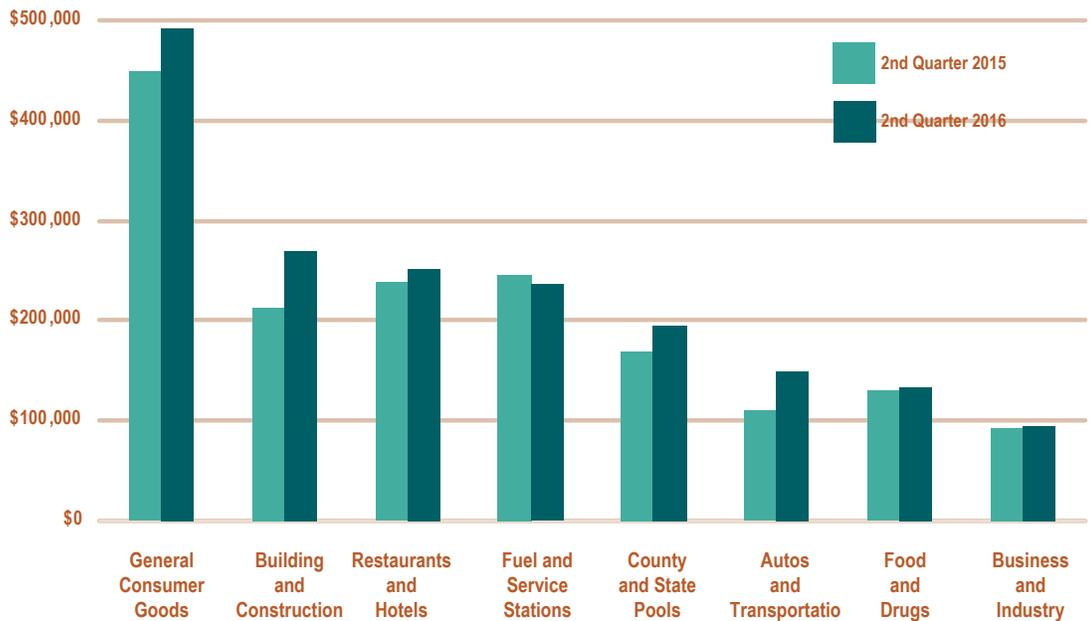
The City experienced a strong sales quarter for quick-service restaurants. Revenues from building and construction were up partially due to the correction of a misallocated payment.

For the seventh straight quarter weak demand for crude oil and a stable supply of retail fuel locally pushed gas prices down, negatively impacting revenue from service stations.

The City's share of the countywide use tax pool increased 16.4% over the comparison period.

Net of aberrations, taxable sales for all of Riverside County grew 3.1% over the comparable time period; the Southern California region was up 1.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM (2)	Ralphs
Best Buy	Richardsons Auto & RV Sales
Chevron (2)	Ross
Circle K	Stater Bros
Euramax International	Target
Grove Lumber & Building Supplies	Tesoro Refining & Marketing
Imperial Sprinkler Supply	Texas Roadhouse
Kohls	TJ Maxx
Living Spaces	United Oil
Lowe's	Verizon
Mt San Jacinto Junior College	Walgreens
Pacific Mobile Structures	

## REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$1,479,825	\$1,628,112
County Pool	167,359	194,860
State Pool	1,227	556
<b>Gross Receipts</b>	<b>\$1,648,411</b>	<b>\$1,823,528</b>
Less Triple Flip*	\$(412,103)	\$0

\*Reimbursed from county compensation fund

**California Overall**

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

**Interest In Tax Reform Grows**

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

**Expand the Base / Lower the Rate:**

Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

**Allocate to Place of Consumption:**

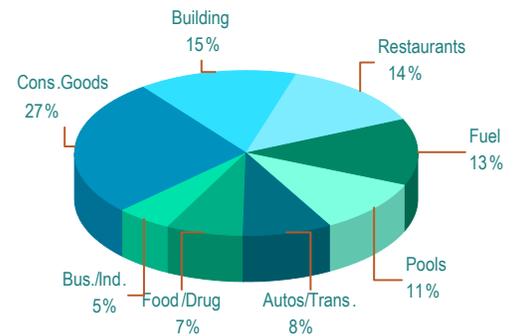
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Menifee This Quarter



**MENIFEE TOP 15 BUSINESS TYPES**

Business Type	<i>*In thousands of dollars</i>			
	Menifee Q2 '16*	Menifee Change	County Change	HdL State Change
Automotive Supply Stores	34.0	74.0%	3.2%	1.5%
Casual Dining	104.7	0.6%	5.6%	4.5%
Contractors	— CONFIDENTIAL —	—	8.6%	6.4%
Department Stores	— CONFIDENTIAL —	—	-1.0%	-4.3%
Discount Dept Stores	— CONFIDENTIAL —	—	1.2%	0.7%
Drug Stores	37.3	3.7%	2.5%	0.5%
Electronics/Appliance Stores	96.4	33.9%	32.8%	22.3%
Family Apparel	65.1	7.8%	2.1%	4.3%
Grocery Stores Liquor	— CONFIDENTIAL —	—	2.9%	1.1%
Home Furnishings	— CONFIDENTIAL —	—	9.2%	1.4%
Lumber/Building Materials	— CONFIDENTIAL —	—	6.7%	3.3%
Quick-Service Restaurants	119.8	8.5%	7.2%	6.5%
Service Stations	235.5	-3.6%	-18.1%	-19.2%
Specialty Stores	45.9	10.3%	3.2%	2.1%
Trailers/RVs	— CONFIDENTIAL —	—	2.5%	13.8%
<b>Total All Accounts</b>	<b>1,628.1</b>	<b>10.0%</b>	<b>2.4%</b>	<b>-0.6%</b>
<b>County &amp; State Pool Allocation</b>	<b>195.4</b>	<b>15.9%</b>	<b>7.9%</b>	<b>15.2%</b>
<b>Gross Receipts</b>	<b>1,823.5</b>	<b>10.6%</b>	<b>3.0%</b>	<b>1.4%</b>