

# Q2 2017



# City of Poway Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

## Poway In Brief

Poway's receipts from April through June were 6.2% above 2016's second quarter results.

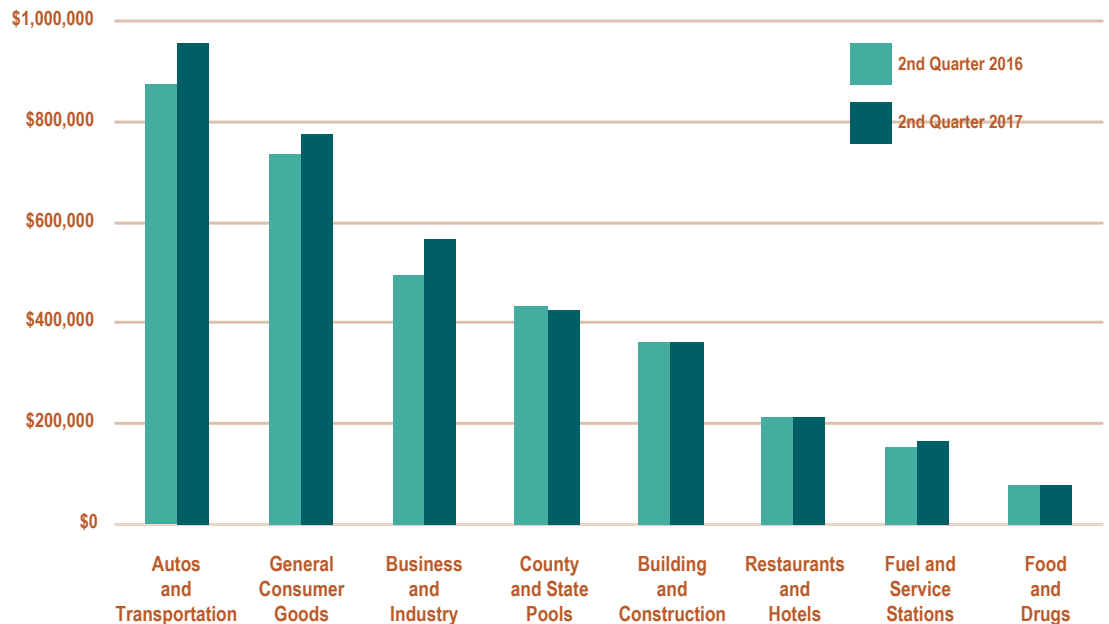
Most major industry groups were up with autos-transportation, business-industry and general consumer goods adding most to overall sales gains. New auto dealer sales easily beat county and state-wide trends; business and industry benefited from a state audit that recovered additional tax from sales between 2012 and 2015; and new business additions boosted general consumer goods totals.

Higher prices at the pump lifted receipts from the fuel and service stations segment. Building-construction, food-drugs and restaurant-hotel proceeds were little-changed.

A onetime transfer that inflated the countywide use tax pool last year skewed the pool allocation comparison.

Net of aberrations, taxable sales for San Diego County grew 2.9% over the like period a year ago; the Southern California region was up 3.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Lowe's
Bay City Electric Works	Maintex
Circle K	Mitchell Repair
Consolidated Electrical Distributors	Mossy Nissan
Costco	Perry Ford
Ferguson Waterworks	Poway Chrysler Dodge Jeep Ram
General Atomics Aeronautical	Poway Honda
HM Electronics	Poway Mitsubishi Hyundai & Vespa
Harbor Packaging	Poway Toyota/Scion
Home Depot	Sysco Food Services
Home Goods	Target
Kohls	United Oil
	Walmart Supercenter

### REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$11,690,556	\$12,095,659
County Pool	1,712,164	1,866,374
State Pool	6,998	6,930
<b>Gross Receipts</b>	<b>\$13,409,717</b>	<b>\$13,968,962</b>
Less Triple Flip*	\$(1,723,389)	\$0

\*Reimbursed from county compensation fund

**California Overall**

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

**Where does the Money Go?**

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

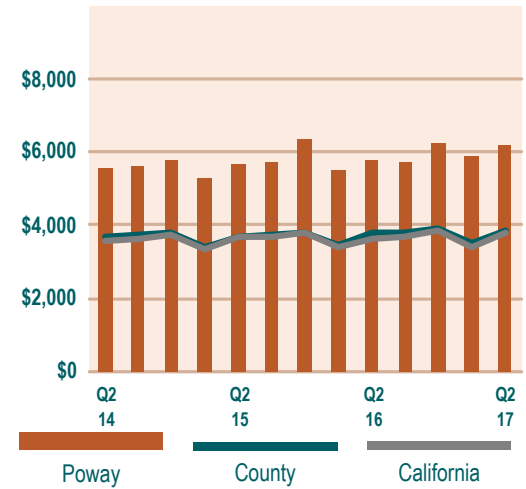
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

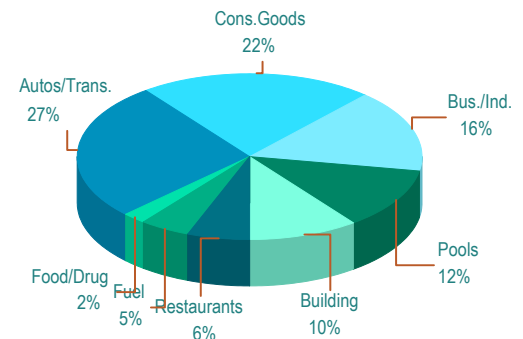
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Poway This Quarter



**POWAY TOP 15 BUSINESS TYPES**

*\*In thousands of dollars*

Business Type	Poway		County	HdL State
	Q2 '17*	Change	Change	Change
Aircraft Sales & Service	—	CONFIDENTIAL	-42.8%	13.3%
Auto Lease	52.6	-21.8%	-2.4%	15.5%
Building Materials	178.6	6.3%	2.9%	6.0%
Casual Dining	86.4	2.1%	0.7%	2.1%
Contractors	50.6	-48.7%	17.3%	9.7%
Department Stores	52.9	0.7%	-3.6%	-2.3%
Discount Dept Stores	—	CONFIDENTIAL	2.6%	3.2%
Electrical Equipment	147.0	17.7%	7.8%	2.7%
Food Service Equip./Supplies	—	CONFIDENTIAL	-6.9%	0.6%
Grocery Stores	43.0	-1.1%	1.3%	2.1%
Light Industrial/Printers	120.7	111.4%	7.0%	5.7%
New Motor Vehicle Dealers	634.6	5.1%	0.6%	3.2%
Plumbing/Electrical Supplies	126.4	44.0%	-3.6%	3.7%
Quick-Service Restaurants	88.6	0.7%	6.2%	5.8%
Service Stations	165.0	8.2%	10.8%	8.6%
<b>Total All Accounts</b>	<b>3,116.3</b>	<b>7.2%</b>	<b>2.4%</b>	<b>6.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>426.7</b>	<b>-1.1%</b>	<b>-5.5%</b>	<b>-9.9%</b>
<b>Gross Receipts</b>	<b>3,543.0</b>	<b>6.2%</b>	<b>1.4%</b>	<b>4.1%</b>