

Q2 2017



City of Hughson Sales Tax *Update*

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

Hughson In Brief

Hughson's receipts from April through June were 18.9% below the second sales period in 2016. Excluding reporting aberrations, actual sales were down 16.5%.

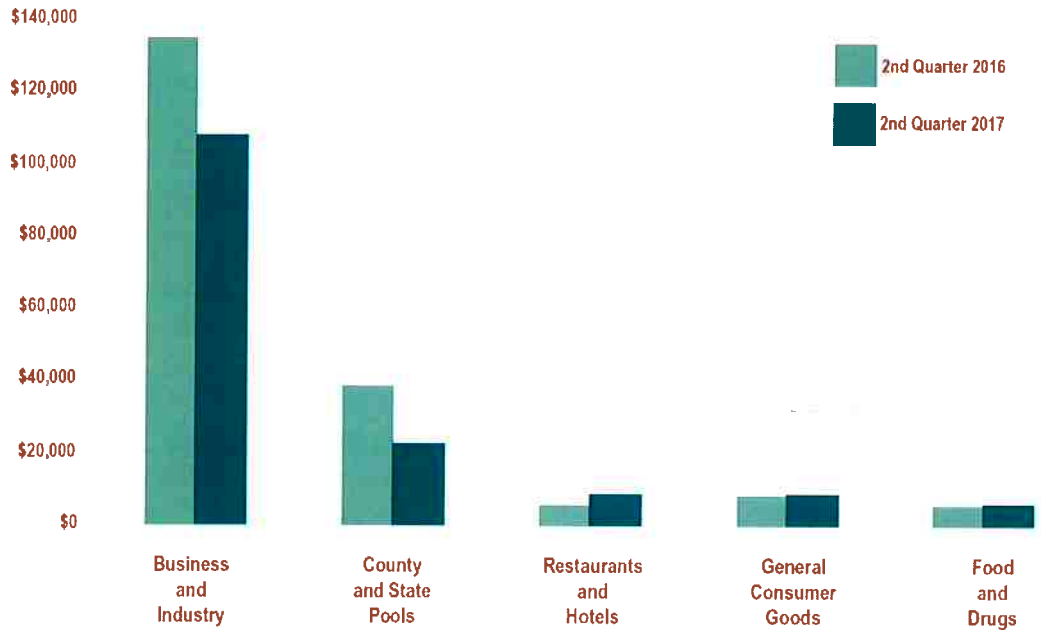
For the second straight quarter, returns from business and industry dwindled.

Receipts from casual dining were temporarily inflated by the double-up of late payments in previous quarters. The increase in quick-service restaurants was exaggerated by a change in reporting.

The City's allocation from the countywide use tax pool dropped from the same quarter last year. A large negative adjustment to the countywide use tax pool further contributed to the decline.

Net of aberrations, taxable sales for all of Stanislaus County grew 3.0% over the comparable time period; the San Joaquin Valley was up 2.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

| | |
|-------------------------------|----------------------------------|
| Agave Azul | Mid Valley Agricultural Services |
| Bobs Coffee Shop | Napa Auto Parts |
| California Trusframe | Pizza Factory |
| Coco's Taqueria | Pure Water Pool Service |
| Dollar General | Quick N Save |
| Dollar Tree | Ricos Italian Pizza |
| Golden Bowl | Santa Fe Market & Liquor |
| Grossi Fabrication | Sav Mor Market |
| Hughson Farm Supply | Shami's Dogs & Burgers |
| Hughson Samaritan Village | Subway |
| Hughson Shell | Valley Tool & Manufacturing |
| La Perla Tapatia | Wilbur Ellis |
| Lacy's Furniture & Home Decor | |

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

| | 2016-17 | 2017-18 |
|-----------------------|------------------|------------------|
| Point-of-Sale | \$266,149 | \$224,793 |
| County Pool | 38,683 | 22,646 |
| State Pool | 93 | (114) |
| Gross Receipts | \$304,925 | \$247,325 |
| Less Triple Flip* | \$0 | \$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

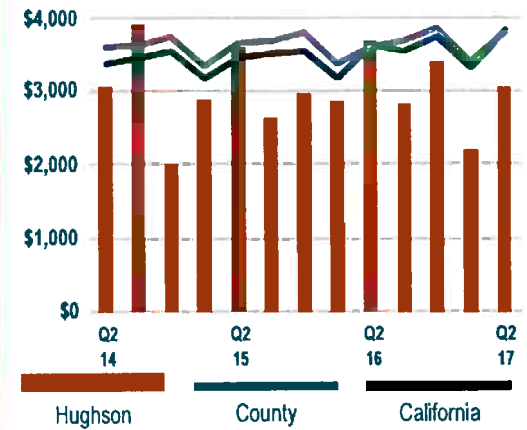
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

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



**COUNTY OVERALL
2Q YOY RECEIPTS % CHANGE**

| Major Industry Groups | Cash | Adjusted* |
|---------------------------|-------------|-------------|
| Autos and Transportation | 5.1% | 5.7% |
| Building and Construction | 8.1% | 6.9% |
| Business and Industry | 11.9% | -5.2% |
| Food and Drugs | 8.1% | 5.5% |
| Fuel and Service Stations | 14.0% | 14.3% |
| General Consumer Goods | 0.6% | -0.6% |
| Restaurants and Hotels | 4.6% | 4.2% |
| County and State Pools | -26.5% | 1.9% |
| Total | 2.6% | 3.0% |

*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP
Hughson This Quarter**

