

# Q1 2018



# City of Hughson Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2018)

## Hughson In Brief

Hughson's receipts from January through March were 13.5% above the first sales period in 2017. Excluding reporting aberrations, actual sales were up 14.9%.

The 14.5% increase to the state-wide average price per gallon led to increased revenues for fuel and service stations throughout the Stanislaus County region and the state. Construction employment growth within the Modesto metropolitan area combined with residential and commercial construction kickoffs continue to project growth throughout 2018.

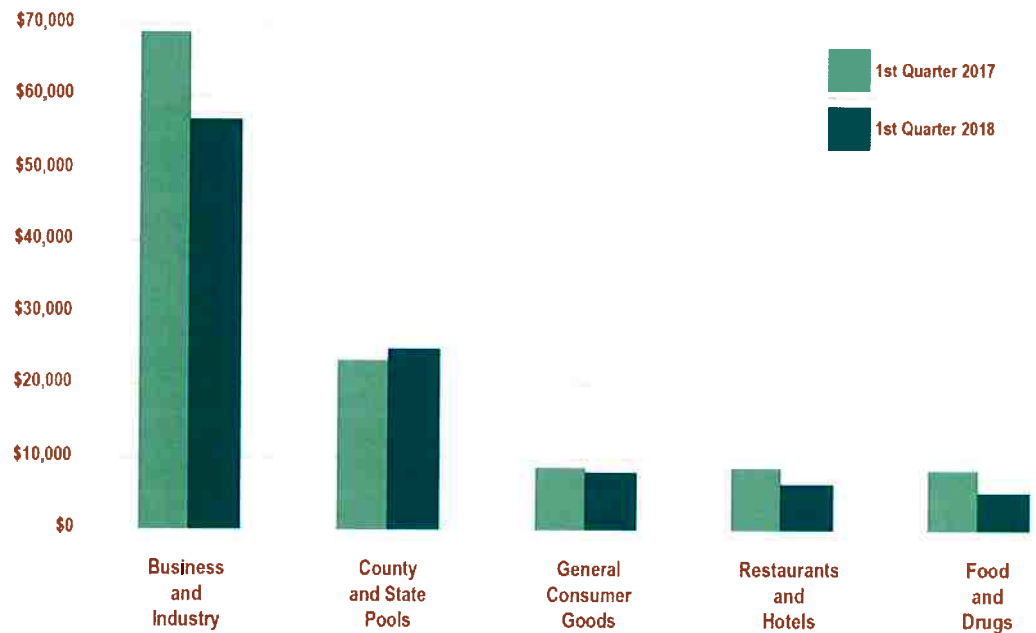
Descending receipts from the business-industry categories combined with payment anomalies within food-drugs organizations masked some of the gains from other major industry sectors.

A transition to a new software system at the CDTFA (formerly the Board of Equalization) and the implementation of a hard cutoff date for first quarter tax returns caused many allocations to be delayed, resulting in an increase in missing payments in the current quarter.

The City's share of the countywide use tax pool increased 8% over the same period in the prior year.

Net of aberrations, taxable sales for all of Stanislaus County grew 4.2% over the comparable time period; the San Joaquin Valley was up 7.5%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Agave Azul	La Perla Tapatia
Bobs Coffee Shop	Lacy's Furniture & Home Decor
Boulet Consulting	Mid Valley Agricultural Services
California Trusframe	Napa Auto Parts
Coco's Taqueria	Pizza Factory
Dollar General	Quick N Save
Dollar Tree	Santa Fe Market & Liquor
Golden Bowl Chinese Restaurant	Save More Market
Grossi Fabrication	Scott's Pool Repair & Remodeling
Hughson Chevron	Subway
Hughson Farm Supply	Valley Tool & Manufacturing
Hughson Samaritan Village	Wilbur Ellis
Hughson Shell	

## REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$878,763	\$869,195
County Pool	137,423	104,787
State Pool	653	301
<b>Gross Receipts</b>	<b>\$1,016,838</b>	<b>\$974,283</b>

**CDTFA Changes**

The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

**Statewide Results**

Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HdL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

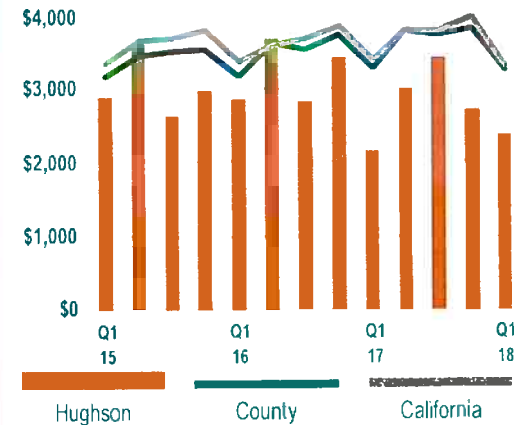
**Supreme Court Ruling**

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by *Quill* is no longer a clear or easily applicable standard, and the online interstate marketplace was not the prevailing issue before the court in 1992.

In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about \$1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average \$60 per year for each California household, and California businesses average \$171 per year in unpaid use tax liabilities. The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

**SALES PER CAPITA**



**COUNTY OVERALL IQ YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	-5.3%	-1.5%
Building and Construction	1.2%	2.7%
Business and Industry	-3.4%	4.9%
Food and Drugs	-2.6%	7.6%
Fuel and Service Stations	21.6%	17.9%
General Consumer Goods	-2.6%	3.4%
Restaurants and Hotels	-1.8%	2.0%
County and State Pools	-6.1%	3.7%
<b>Total</b>	<b>-1.0%</b>	<b>4.2%</b>

\*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP**  
Hughson This Quarter

