

# Q3 2018



# City of Hughson Sales Tax *Update*

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

## Hughson In Brief

Hughson's receipts from July through September were 0.7% below the third sales period in 2017. Excluding reporting aberrations, actual sales were down 7.6%.

Multiple double-up payments lifted current cash receipts as the CDT-FA resolved the majority of the software-driven reporting issues that plagued local tax distributions in the first and second quarters of 2018.

Hughson's overall flattened revenue can be attributed to decreased sales activity from a major vendor within the business-industry sector.

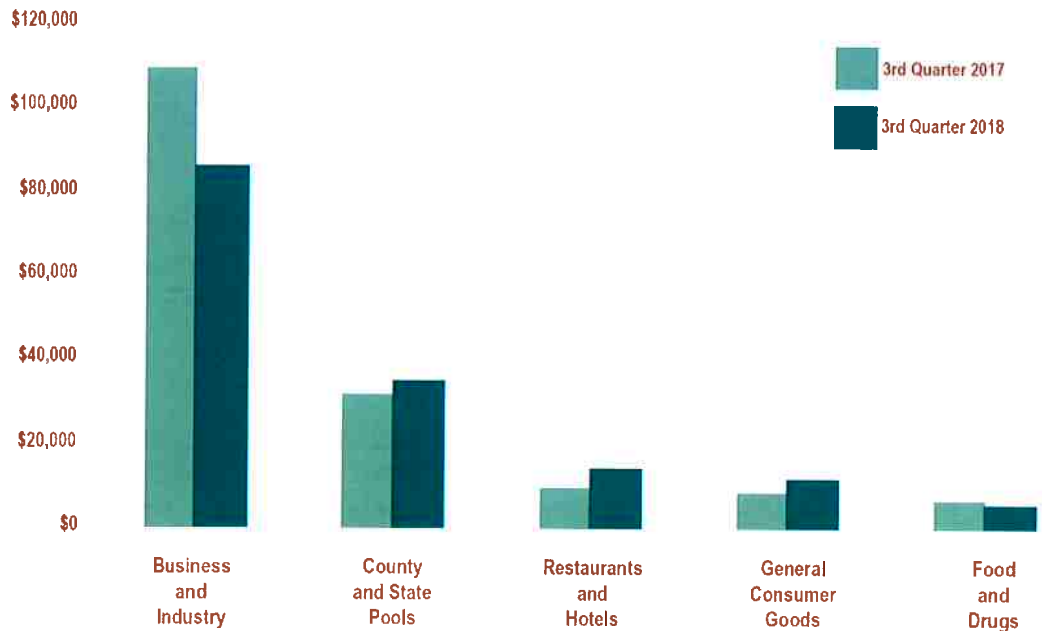
The Stanislaus County region received a bump in proceeds from fuel-service stations as the average price per gallon continued to be elevated over the comparison quarter levels.

Ongoing gains throughout the San Joaquin Valley from building-construction suppliers continue to outpace the sectors growth statewide.

The City's allocation from the countywide use tax pool increased 10.5%

Net of aberrations, taxable sales for all of Stanislaus County grew 4.5% over the comparable time period; the San Joaquin Valley was up 6.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Agave Azul	Lacy Furniture Home Decor
Bobs Coffee Shop	Mid Valley Agricultural Services
Boulet Consulting	Napa Auto Parts
California Trusframe	Pizza Factory
Carranza Pharmacy	Quick N Save
Coco's Taqueria	Ricos Italian Pizza
Combs Pumps	Santa Fe Market & Liquor
Dollar General	Sav Mor Market
Dollar Tree	Scott's Pool Repair & Remodeling
Golden Bowl	Subway
Grossi Fabrication	Wilbur Ellis
Hughson Chevron	
Hughson Farm Supply	
Hughson Shell	

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$257,035	\$251,753
County Pool	31,570	34,888
State Pool	199	130
<b>Gross Receipts</b>	<b>\$288,803</b>	<b>\$286,771</b>

**California Overall**

The CDTFAs' 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 5.2% 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.

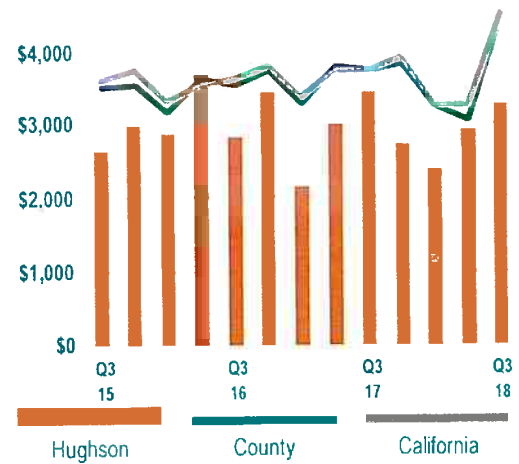
California will begin enforcing the Wayfair reversal effective April 1, 2019

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**



**COUNTY OVERALL  
3Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	20.7%	-0.8%
Building and Construction	22.1%	-3.5%
Business and Industry	32.5%	7.4%
Food and Drugs	20.1%	5.2%
Fuel and Service Stations	31.3%	11.3%
General Consumer Goods	14.5%	0.0%
Restaurants and Hotels	16.8%	0.3%
County and State Pools	37.6%	18.3%
<b>Total</b>	<b>24.0%</b>	<b>4.5%</b>

\*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP  
Hughson This Quarter**

