Q3 2011

# National City Sales Tax *Update*

*Fourth Quarter Receipts for Third Quarter Sales (July - September 2011)*

## National City In Brief

Receipts for National City's July through September sales were 2.9% lower than the same quarter one year ago. Actual sales activity was up 6.5% when reporting aberrations were factored out.

A multi-quarter deduction to correct a prior allocation error in the building and construction group was the reason for the overall decline in gross receipts. A similar occurrence combined with the conclusion of a public works project accounted for the drop in business and industry.

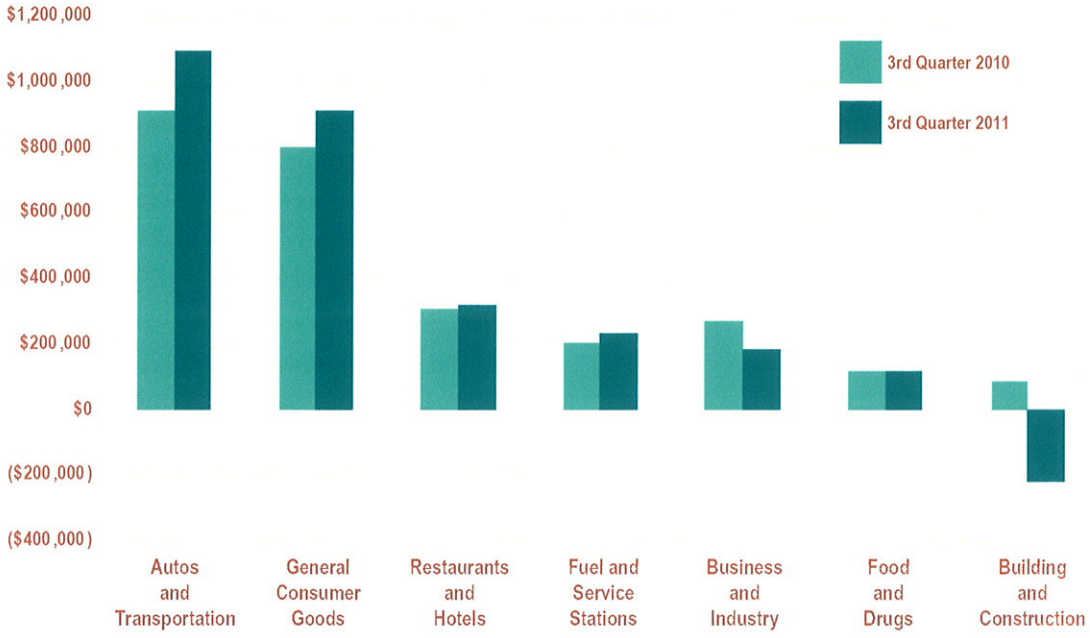
Sales activity was in positive territory for apparel, department and discount department stores while a new store boosted home furnishings. The gain in auto-related sectors from higher sales and new dealerships was overstated by a year-ago deviation.

Higher fuel prices bumped up service station returns and restaurant receipts increased.

Revenues from voter-approved Proposition "D" generated an additional $2,268,404 for a 9.2% increase over a year ago.

Adjusted for aberrations, taxable sales for all of San Diego County increased 7.0% over the comparable time period, while the Southern California region as a whole was up 8.3%.

## Sales Tax by Major Business Group




## Top 25 Producers

In Alphabetical Order

- Arco AM PM
- Ball Honda Acura Mitsubishi & Suzuki
- Frank Motors
- Frank Subaru
- Highland Arco
- JC Penney
- Macys
- McCune Motors
- Mor Furniture for Less
- Mossy Nissan
- National City Auto Center
- National Gas
- Perry Ford
- Probuild Company
- Ron Baker Chevrolet Isuzu
- Ross
- Satis Vacuum
- South Bay Volkswagen Suzuki
- Target
- Thrifty Gas
- Univar
- Vintners Distributors
- Walmart
- Wescott Mazda Kia
- Westair Gases & Equipment

## Revenue Comparison

Two Quarters – Fiscal Year To Date

| | 2010-11 | 2011-12 |
|---|---|---|
| Point-of-Sale | $5,451,289 | $5,673,614 |
| County Pool | 645,659 | 645,465 |
| State Pool | 3,890 | 399 |
| **Gross Receipts** | **$6,100,839** | **$6,319,479** |
| Less Triple Flip* | $(1,525,210) | $(1,579,870) |
| Gross Trans. Tax | $4,083,255 | $4,476,201 |

**Reimbursed from county compensation fund*

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NOTES

## California Overall

Adjusted for accounting aberrations, statewide local sales and use tax revenues for July through September transactions increased 8.6% over last year's comparison quarter. This is the seventh consecutive quarterly gain since the beginning of the recovery.

All categories were up with receipts from higher fuel prices accounting for much of the statewide increase. Sales of new autos, consumer goods and quick and full service restaurants also exhibited solid growth.

## The Foggy Crystal Ball

Although 2011-12 is shaping up to be a period of strong sales tax recovery, most analysts believe that the pace of growth will slow in 2012-13 with the only disagreement being over the degree of slowdown.

Additional state budget cuts, continued high unemployment, further declines in home values and unstable fuel prices are part of the uncertainty. The financial turmoil in Europe is also of concern.

Manufacturers, growers, distributors, transporters and other companies involved in export trade make up 25% of the state's gross product. The European crisis has the potential of slowing the demand for both U.S. and Asian goods which would also pare the growth of California's Asian markets. Comparative strengthening of the U.S. dollar would also make exports more expensive.

Analysts worry about the resulting impact on Silicon Valley's technology industries, the Central Valley's agricultural exports and Southern California's transportation sector.

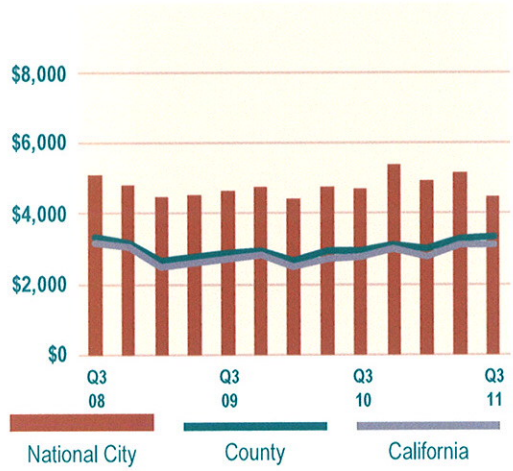
## Sales Tax and the Internet

In 1992, the Supreme Court ruled that interstate commerce rules preclude states from requiring sellers without an in-state physical presence to collect local taxes. Since that time, attempts to interest Congress in correcting the problem have been unsuccessful.

With internet sellers becoming a major retail competitive force and more states adopting legislation expanding the definition of what constitutes "physical presence," the need for fairness and uniformity is softening opposition. This year, three competing bills were introduced in Congress that would allow the collection of local taxes. These are: S.1452, H.R. 3179 and S. 1832.

Given the general discord and paralysis in Congress, there is some question of whether any of these will pass. However, a compromise agreement between the State of California and Amazon has resulted in legislation (AB 155) that requires in-state affiliates of remote sellers to begin collecting and remitting sales and use tax by September 15, 2012. Estimates on the amount of new revenues that will be generated have been difficult to develop but local agencies should not expect gains of more than $1 per capita. More on the congressional legislation can be found in HdL's December issues paper.

## Sales Per Capita




## National City Top 15 Business Types

| Business Type | National City Q3 '11* | National City Change | County Change | HdL State Change |
|---|---|---|---|---|
| Department Stores | 119.5 | 6.3% | 3.1% | 5.1% |
| Discount Dept Stores | 212.9 | 9.5% | 0.7% | 3.1% |
| Electronics/Appliance Stores | 53.0 | -1.9% | -1.1% | -9.2% |
| Family Apparel | 163.0 | 9.3% | 10.0% | 7.9% |
| Heavy Industrial | 59.5 | 1.7% | 38.4% | 20.5% |
| Home Furnishings | 46.3 | 535.0% | 6.1% | 7.5% |
| Light Industrial/Printers | 60.0 | 91.0% | 10.0% | 3.0% |
| Lumber/Building Materials | 49.8 | -1.1% | 3.1% | 4.1% |
| New Motor Vehicle Dealers | 874.8 | 19.8% | 11.1% | 12.2% |
| Restaurants No Alcohol | 226.3 | 5.4% | 6.9% | 7.0% |
| Service Stations | 223.6 | 13.4% | 18.2% | 20.5% |
| Shoe Stores | 53.1 | 21.6% | 12.7% | 16.1% |
| Specialty Stores | 72.0 | -9.2% | -0.5% | 8.3% |
| Used Automotive Dealers | 84.0 | 46.7% | 9.2% | 10.9% |
| Women's Apparel | 89.1 | 13.9% | 11.9% | 10.0% |
| **Total All Accounts** | **$2,645.9** | **-2.3%** | **8.5%** | **9.4%** |
| **County & State Pool Allocation** | **298.5** | **-8.2%** | | |
| **Gross Receipts** | **$2,944.4** | **-2.9%** | | |

**In thousands*