

# Q2 2016



# National City Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

## National City In Brief

National City's receipts from April through June were 8.3% above 2015's second quarter results. Excluding reporting aberrations, actual sales were up 3.5%.

Most major industry groups were up for the quarter but business and industry and general consumer goods provided most of the overall gain. Retroactive payment adjustments following a routine city audit boosted comparisons for both business segments. Restaurant sales continued to fare well and easily bested countywide trends. Though up overall, autos and transportation showed signs of slowing and trailed area trends. A onetime adjustment to the county use tax pool raised allocations for all local agencies this quarter.

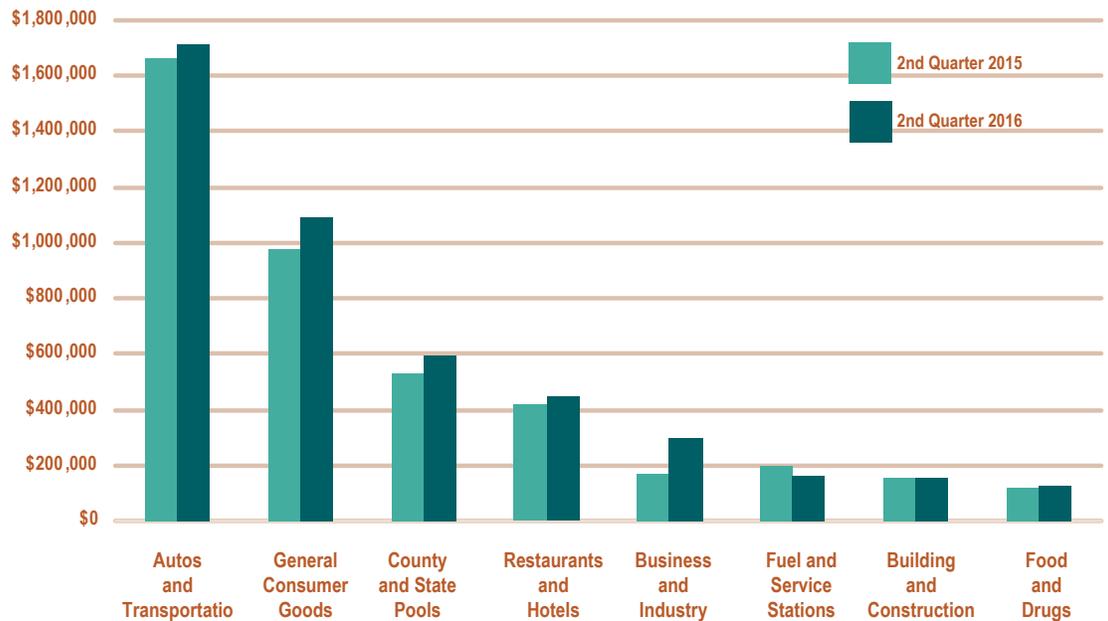
Building and construction appeared to be flat but a temporary accounting adjustment caused the lackluster result. Net of aberrations, the group was up.

Persistently low oil prices kept gas prices and therefore fuel and service station totals down.

Revenues from voter-approved Measure D grew 3.6% once payment anomalies were removed.

Net of aberrations, taxable sales for all of San Diego County grew 1.3% over the comparable sales period in 2015; the Southern California region was up 1.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco	Nordstrom Rack
Arco AM PM	Perry Chrysler
Ball Honda Acura	Dodge Jeep Ram
Mitsubishi Suzuki	Perry Ford
Kia	Probuild Company
Frank Hyundai	Ron Baker Chevrolet
Frank Subaru	Ross
Frank Toyota Scion	South Bay
Fusco Abrasive Systems	Volkswagen
General Motors Acceptance	South County Buick GMC
JC Penney	T Mobile
Macys	Target
McRoberts Sales Co.	USA Gasoline
Mossy Nissan	Walmart Supercenter
	Wescott Mazda

### REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$3,714,202	\$4,002,436
County Pool	527,898	592,475
State Pool	3,160	1,401
<b>Gross Receipts</b>	<b>\$4,245,260</b>	<b>\$4,596,312</b>
Less Triple Flip*	\$(1,061,315)	\$0
<b>Measure D</b>	<b>\$2,560,552</b>	<b>\$2,680,550</b>

**California Overall**

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

**Interest In Tax Reform Grows**

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

**Expand the Base / Lower the Rate:**

Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

**Allocate to Place of Consumption:**

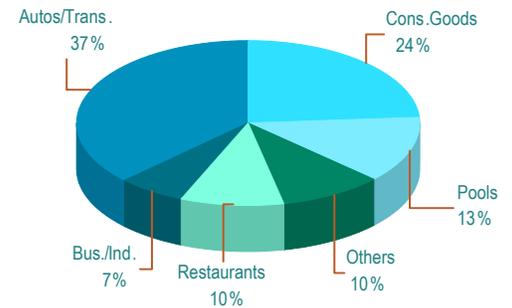
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
National City This Quarter



**NATIONAL CITY TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	National City Q2 '16*	Change	County Change	HdL State Change
Auto Lease	132.4	141.3%	40.7%	20.6%
Casual Dining	174.6	11.1%	3.4%	4.6%
Department Stores	151.6	-1.1%	-4.2%	-4.3%
Discount Dept Stores	— CONFIDENTIAL —		-1.5%	0.7%
Electronics/Appliance Stores	143.5	137.6%	22.1%	22.3%
Family Apparel	171.7	7.3%	1.2%	4.3%
Light Industrial/Printers	73.4	63.1%	-1.6%	-0.7%
Lumber/Building Materials	144.4	12.0%	3.4%	3.3%
New Motor Vehicle Dealers	1,308.4	-0.5%	2.0%	2.7%
Quick-Service Restaurants	230.9	2.2%	7.2%	6.5%
Service Stations	164.6	-16.5%	-21.7%	-19.2%
Shoe Stores	63.2	21.9%	3.8%	6.3%
Specialty Stores	101.6	12.6%	1.9%	2.1%
Used Automotive Dealers	118.5	6.0%	8.5%	11.0%
Women's Apparel	80.0	-3.1%	-2.0%	1.9%
<b>Total All Accounts</b>	<b>4,002.4</b>	<b>7.8%</b>	<b>2.6%</b>	<b>-0.6%</b>
<b>County &amp; State Pool Allocation</b>	<b>593.9</b>	<b>11.8%</b>	<b>6.5%</b>	<b>15.2%</b>
<b>Gross Receipts</b>	<b>4,596.3</b>	<b>8.3%</b>	<b>3.1%</b>	<b>1.4%</b>