

# Q3 2018



# City of Eastvale Sales Tax *Update*

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

## Eastvale In Brief

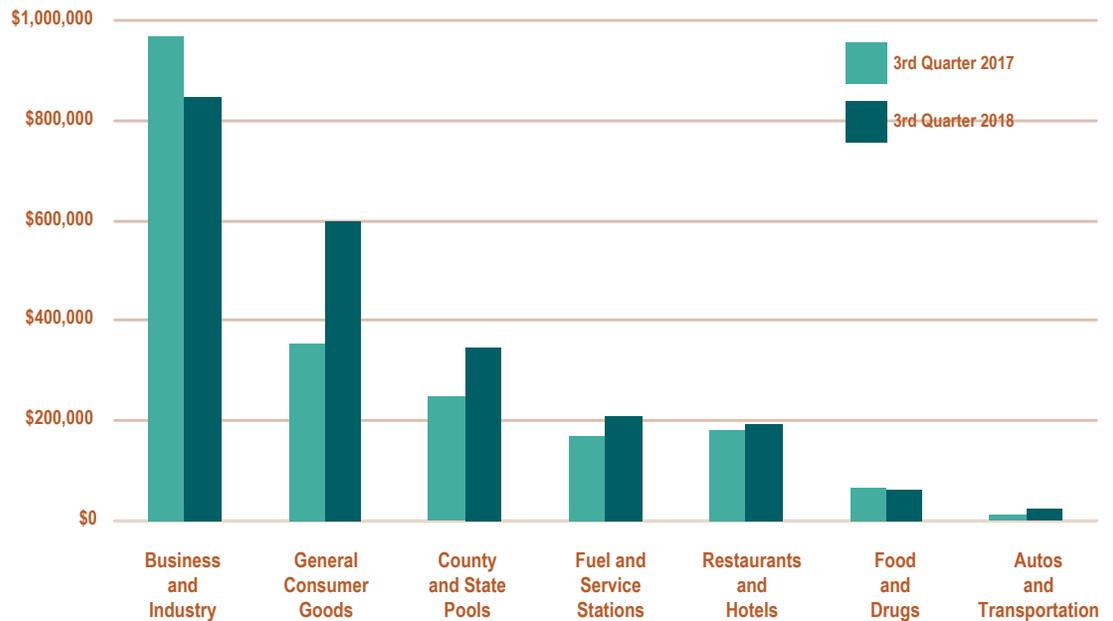
Eastvale's receipts from July through September were 14.2% above the third sales period in 2017 though results were skewed by catch-up payments owed from last quarter, which had been delayed by the State's recent transition to a new software and reporting system. The double-up payments inflated numerous categories, including general consumer goods and allocations from the countywide use tax pool. Adjusted for proper payment timing, actual sales were up 2.0%.

The recent opening of a new general consumer goods outlet was the primary factor behind this quarter's economic growth. A new gas station also contributed to the advance.

A missing payment and a large, prior-year equipment purchase, made by a firm to outfit its local facility, deflated business-industrial results and held back the overall rate of improvement.

Net of aberrations, taxable sales for all of Riverside County grew 6.3% over the comparable time period; the Southern California region was up 4.3%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

- |                    |                        |
|--------------------|------------------------|
| 7 Eleven           | Ralphs                 |
| Albertsons         | Shamrock Foods Company |
| Applebee's         | Smart & Final          |
| Best Buy           | Staples                |
| Buffalo Wild Wings | T Mobile               |
| Chevron            | Target                 |
| Costco W/ Gas      | TJ Maxx                |
| Home Depot         | Ultra Beauty           |
| Home Goods         | Vons                   |
| Kohls              | Vons Fuel              |
| Lennox Industries  | W W Grainger           |
| McDonalds          |                        |
| Netrush            |                        |
| Petsmart           |                        |

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$1,951,390	\$2,163,741
County Pool	245,224	345,710
State Pool	1,511	1,134
<b>Gross Receipts</b>	<b>\$2,198,124</b>	<b>\$2,510,586</b>

**California Overall**

The CDTEFA's 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	17.0%	1.2%
Building and Construction	28.3%	5.4%
Business and Industry	20.3%	-1.5%
Food and Drugs	19.7%	8.6%
Fuel and Service Stations	43.1%	16.6%
General Consumer Goods	17.2%	1.6%
Restaurants and Hotels	19.6%	1.8%
County and State Pools	54.9%	28.0%
<b>Total</b>	<b>25.9%</b>	<b>6.3%</b>

\*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP  
Eastvale This Quarter**

