

Q1 2018



City of Eastvale Sales Tax *Update*

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

Eastvale In Brief

Eastvale's receipts from January through March were 3.4% above the first sales period in 2017. Excluding reporting aberrations, actual sales were up 6.8%.

Climbing retail gasoline prices combined with a new business have resulted in higher revenue from service stations. Companies in the business and industry sector have at last begun to invest actively in new equipment and production facilities, resulting in increased receipts.

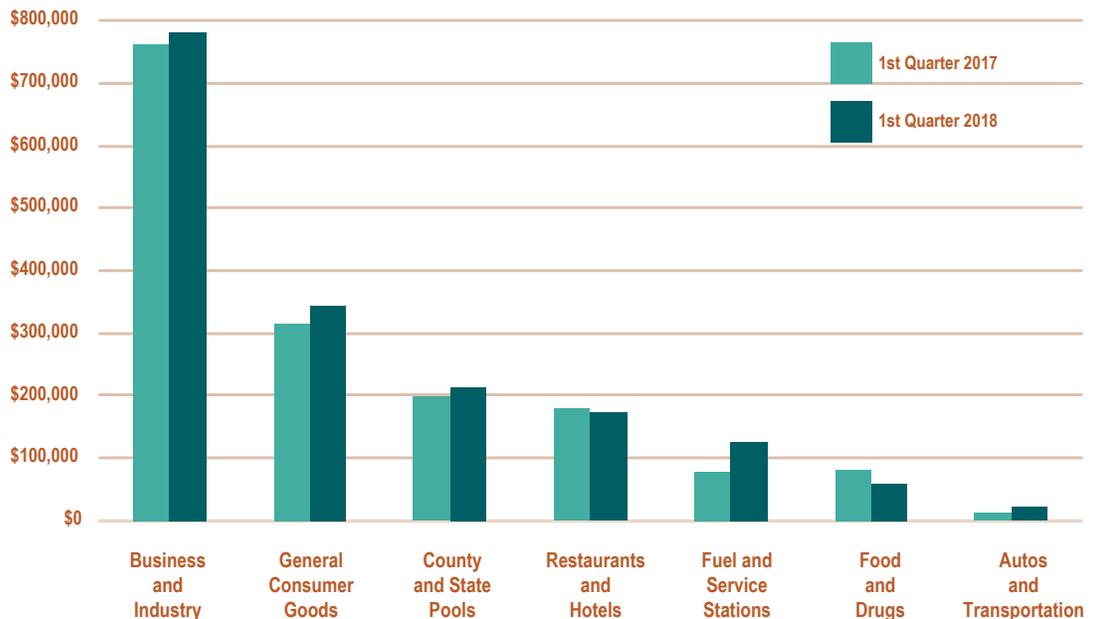
Totals for general consumer goods have regained momentum on the back of a robust labor market. A onetime use tax payment was responsible for the increase for autos and transportation.

Due to the State's transition to a new software system, multiple transactions were not processed in 1Q18 but are anticipated to fund with 2Q18 allocations. The completion of a large construction project reduced receipts from contractors.

The City's share of the countywide use tax pool increased 10% over the same period in the prior year.

Net of aberrations, taxable sales for all of Riverside County grew 7.9% over the comparable time period; the Southern California region was up 5.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	Petsmart
Amazon Fulfillment Center	Ralphs
Applebee's	Shamrock Foods Company
AT&T	Staples
Best Buy	Target
Buffalo Wild Wings	TJ Maxx
Chevron	Ulta Beauty
CVS Pharmacy	Verizon Wireless
Home Depot	Vons
Home Goods	Vons Fuel
Kohls	W W Grainger
Lennox Industries	Walmart Online
McDonalds	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$6,824,706	\$7,973,586
County Pool	850,831	945,649
State Pool	5,320	2,335
Gross Receipts	\$7,680,857	\$8,921,570

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 on-line interstate marketplace was not the prevailing issue before the court in 1992.

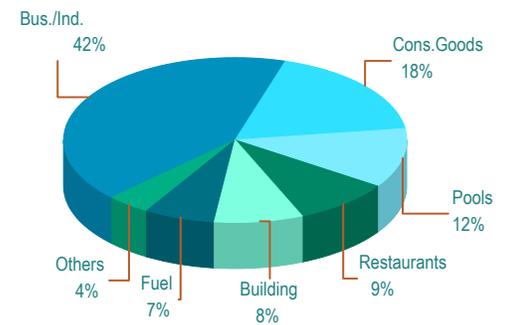
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

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



REVENUE BY BUSINESS GROUP
Eastvale This Quarter



EASTVALE TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Eastvale Q1 '18*	Change	County Change	HdL State Change
Building Materials	— CONFIDENTIAL —	—	13.6%	3.8%
Casual Dining	48.6	-10.8%	-4.7%	-2.0%
Department Stores	— CONFIDENTIAL —	—	-22.2%	-35.1%
Discount Dept Stores	— CONFIDENTIAL —	—	1.3%	2.8%
Electrical Equipment	— CONFIDENTIAL —	—	23.3%	2.1%
Electronics/Appliance Stores	98.2	15.2%	-4.9%	0.8%
Family Apparel	36.4	9.5%	10.1%	8.2%
Fast-Casual Restaurants	55.9	8.7%	2.5%	6.8%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	-1.5%	-3.9%
Fulfillment Centers	113.9	15.0%	411.9%	40.3%
Grocery Stores	— CONFIDENTIAL —	—	14.4%	1.9%
Office Equipment	— CONFIDENTIAL —	—	1.7%	-4.3%
Quick-Service Restaurants	67.1	-2.4%	-1.9%	-3.8%
Service Stations	125.6	57.3%	1.4%	4.6%
Specialty Stores	37.5	3.6%	-9.6%	-10.0%
Total All Accounts	1,655.6	2.7%	1.1%	-1.8%
County & State Pool Allocation	215.6	9.4%	7.8%	-2.1%
Gross Receipts	1,871.2	3.4%	1.8%	-1.8%