

# Q2 2017



# City of Encinitas Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

## Encinitas In Brief

Encinitas' receipts from April through June were 5.9% above the second sales period in 2016. Excluding reporting aberrations, actual sales were up 3.0%.

A new business addition helped boost revenues for grocery stores. A negative accounting adjustment in the same period of the prior year temporarily inflated results for drug stores. Higher fuel prices caused the increase in totals for service stations.

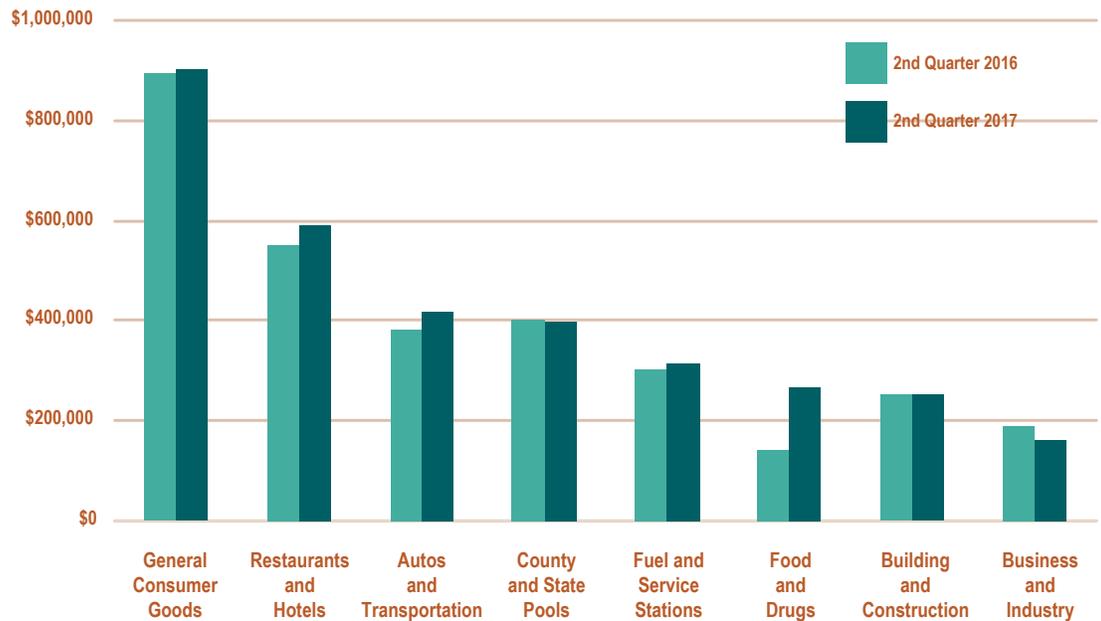
Continued consumer interest in dining out and several new additions helped boost revenues for both fine dining and fast casual restaurants. Quick-service restaurants also experienced robust growth this period.

General consumer goods reported mixed results, with gain reported for sporting goods/bike stores and family apparel. Positive accounting adjustments were responsible for the growth in electronics/appliance stores, while a double payment in the prior period negatively impacted totals for home furnishings.

The City's share of the countywide use tax pool decreased 0.7% from the comparison period.

Net of aberrations, taxable sales for all of San Diego County grew 2.9% over the comparable time period; the Southern California region was up 3.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Quick Shine Car Wash
AT&T Mobility	REI
Best Buy	Rosanos Unocal 76
BMW of Encinitas	Ross
Chevron	Shell Gas & Car Wash
Dick's Sporting Goods	Target
Encinitas Ford	TJ Maxx
Financial Services Vehicle Trust	Trader Joes
Hansen Surfboards	USA Gasoline
Herman Cook Volkswagen	Valero
Home Depot	Vons
Home Goods	Walmart Supercenter
Pacific Coast Grill	

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$2,711,551	\$2,900,456
County Pool	401,387	398,676
State Pool	949	(1,518)
<b>Gross Receipts</b>	<b>\$3,113,888</b>	<b>\$3,297,615</b>
Less Triple Flip*	\$0	\$0

\*Reimbursed from county compensation fund

**California Overall**

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

**Where does the Money Go?**

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

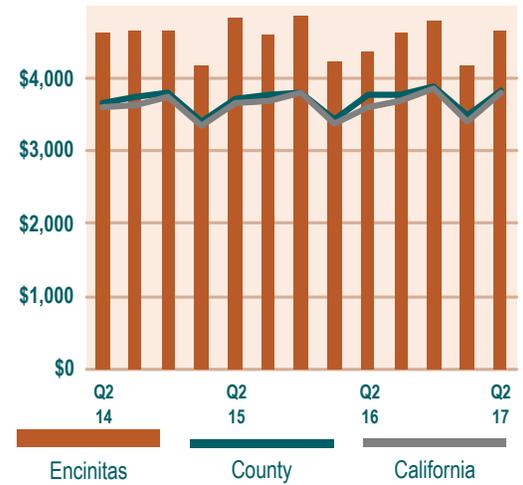
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

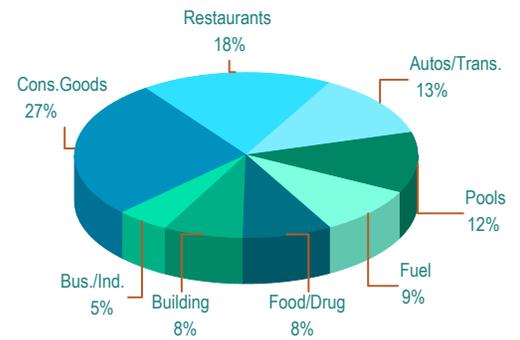
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Encinitas This Quarter



**ENCINITAS TOP 15 BUSINESS TYPES**

*\*In thousands of dollars*

Business Type	Encinitas		County	HdL State
	Q2 '17*	Change	Change	Change
Auto Lease	— CONFIDENTIAL —	—	-2.4%	15.5%
Building Materials	— CONFIDENTIAL —	—	2.9%	6.0%
Casual Dining	293.3	0.3%	0.7%	2.1%
Convenience Stores/Liquor	66.5	11.7%	6.3%	5.2%
Discount Dept Stores	— CONFIDENTIAL —	—	2.6%	3.2%
Electronics/Appliance Stores	109.6	17.5%	-3.4%	0.2%
Family Apparel	87.2	9.9%	5.0%	4.0%
Fast-Casual Restaurants	78.9	48.3%	5.9%	9.3%
Grocery Stores	156.2	8.1%	1.3%	2.1%
Home Furnishings	119.6	-19.3%	1.8%	0.4%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	0.6%	3.2%
Quick-Service Restaurants	166.8	7.8%	6.2%	5.8%
Service Stations	314.0	4.1%	10.8%	8.6%
Specialty Stores	69.1	3.9%	1.6%	0.9%
Sporting Goods/Bike Stores	139.0	13.7%	-15.4%	-15.1%
<b>Total All Accounts</b>	<b>2,900.5</b>	<b>7.0%</b>	<b>2.4%</b>	<b>6.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>397.2</b>	<b>-1.3%</b>	<b>-5.5%</b>	<b>-9.9%</b>
<b>Gross Receipts</b>	<b>3,297.6</b>	<b>5.9%</b>	<b>1.4%</b>	<b>4.1%</b>