

# Q2 2012



# City of Poway Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2012)

## Poway In Brief

Receipts for Poway's April through June sales were 6.2% higher than the same quarter one year ago. Actual sales activity was up 7.6% when reporting aberrations were factored out.

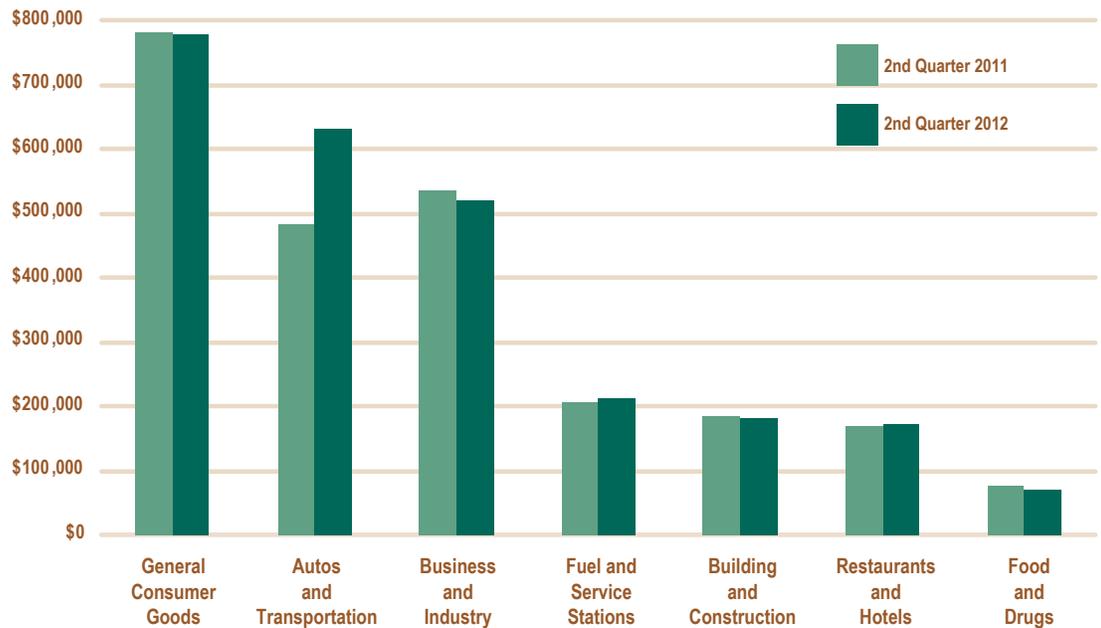
The city experienced an exceptional quarter for new automobile dealers as improved credit availability, low interest rates and manufacturers' incentives propelled sales. The gains were buoyed by higher returns from contractors and some categories of general consumer goods. The recent addition of an office equipment retailer contributed to the increase.

The city's allocation from the county use tax pool increased overall results.

An overpayment that inflated year-ago returns exaggerated the drop in office supplies/furniture.

Adjusted for aberrations, taxable sales for all of San Diego County increased 6.6% over the comparable time period, while the Southern California region as a whole was up 7.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

Bay City Electric Works	Home Goods Kohls
Centerline Industrial	Mitchell Repair
Circle K	Mossy Nissan
Cirrascale Corporation	Perry Ford
Complete Office	Poway Honda
Costco	Poway Mitsubishi Hyundai & Vespa
Crawford & Company	Poway Toyota/Scion
Exoil	Richardson Buick GMC
Exxon	Stein Mart
Ferguson Waterworks	Sysco Food Services
General Atomics Aeronautical Systems	Target
Home Depot	Walmart

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$9,432,711	\$10,194,689
County Pool	1,120,841	1,214,900
State Pool	1,515	7,810
<b>Gross Receipts</b>	<b>\$10,555,067</b>	<b>\$11,417,399</b>
<b>Less Triple Flip*</b>	<b>\$(2,638,767)</b>	<b>\$(2,854,350)</b>

\*Reimbursed from county compensation fund

**Statewide Results**

Net of payment aberrations, second quarter retail sales were 7.5% higher than the same period one year earlier.

Purchases of new automobiles, spurred by low interest rates, easy credit and manufacturers' incentives, outpaced first quarter growth and generated 22% of the total increase. Business-to-business sales reflected strength in a number of sectors, notably heavy industrial, business services and equipment for energy related projects. Restaurant and hotel receipts grew by 8.6%, outpacing all other industry groups except autos and transportation. Family apparel sales were strong but weak electronics/appliances returns and lackluster results from department stores and big box discounters held general consumer group gains to a modest 3.9%. Flattening fuel prices and ongoing weakness in lumber and building materials sales also restrained overall results.

**Outlook for the Year**

The momentum for the recovery is slowing and has recently prompted another round of "quantitative easing" by the Federal Reserve Board in an effort to reinvigorate the housing market and spur business investment by keeping interest rates low. Retail growth in California, which fell further than the nation as a whole during the "Great Recession," may outpace the nation going forward but stubborn unemployment, nearly static income levels, and cautious business spending will keep overall sales at moderate levels at least through 2014-15.

**Sales Tax from On-line Retailers**

AB 155, which was passed last year as a compromise with Amazon.com went into effect on September 15. While the bill expanded the state's ability to require the collection of tax

on out-of-state sales, local agencies expecting immediate revenue gains will be disappointed.

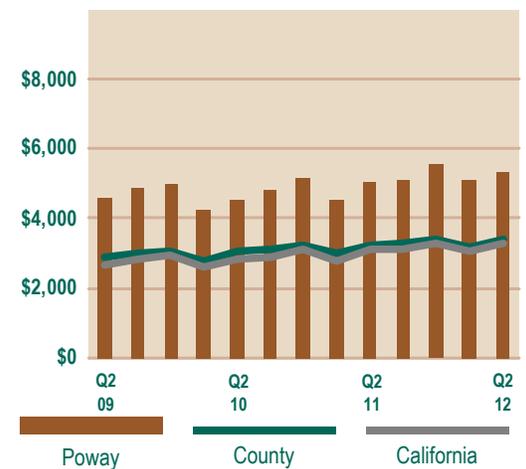
Federal case law continues to provide that remote sellers without nexus in a state are not required to collect that state's sales tax. Amazon agreed not to contest AB 155's definition of nexus which includes remote sellers who have annual sales in California of one million dollars or more and who have an in-state affiliate that provides services in connection with the remote seller's sales if those connected sales exceed \$10,000 per year.

The Board of Equalization's initial estimate was that the legislative change would raise approximately \$38.2 million in one-cent local revenues. However since then, Amazon which was a significant portion of the estimate has decided to build distribution facilities in California which will divert the revenues to the hosting jurisdictions. Other remote sellers, such as Overstock.com, have announced that

they will simply drop their in-state affiliates to avoid collecting the tax.

The Board of Equalization expects to add up to 100 staff positions over the next three years to enforce the new provisions. However, at least initially, local governments should not expect annual revenues of more than \$0.25 per capita and the ultimate solution continues to be federal legislation that eliminates the nexus prohibition and levels the playing field for all retailers.

**SALES PER CAPITA**



**POWAY TOP 15 BUSINESS TYPES**

Business Type	Poway		County	HdL State
	Q2 '12*	Change	Change	Change
Automotive Supply Stores	37.6	-12.5%	8.0%	8.0%
Contractors	55.7	21.3%	3.6%	11.8%
Department Stores	60.2	-3.9%	-0.1%	1.0%
Discount Dept Stores	— CONFIDENTIAL —		4.7%	3.7%
Electrical Equipment	106.1	-5.0%	6.5%	-5.7%
Food Mfg.	76.0	14.7%	18.3%	6.4%
Light Industrial/Printers	84.4	-11.7%	-13.9%	-1.4%
Lumber/Building Materials	79.1	-4.6%	16.2%	20.5%
New Motor Vehicle Dealers	502.4	46.8%	18.8%	22.3%
Office Supplies/Furniture	58.1	-35.1%	-33.5%	-12.6%
Plumbing/Electrical Supplies	37.5	-19.2%	-0.3%	-1.5%
Restaurants Liquor	38.3	19.6%	13.2%	10.9%
Restaurants No Alcohol	87.1	4.4%	13.6%	8.1%
Service Stations	209.3	2.7%	-1.0%	2.3%
Specialty Stores	43.4	-6.1%	1.1%	2.2%
<b>Total All Accounts</b>	<b>\$2,570.7</b>	<b>5.6%</b>	<b>5.5%</b>	<b>6.7%</b>
<b>County &amp; State Pool Allocation</b>	<b>308.9</b>	<b>10.7%</b>		
<b>Gross Receipts</b>	<b>\$2,879.7</b>	<b>6.2%</b>		<i>*In thousands</i>