

# Q1 2020



# City of Corning Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2020)

## Corning In Brief

Corning's receipts from January through March were 8.0% below the first sales period in 2019; much of this decline was caused by companies permitted an extra 90-days to file tax returns under the Governor's recent Executive Order. Excluding reporting aberrations, actual sales were down 4.9%.

County officials declared a shelter-in-place in mid-March; numerous businesses temporarily closed. Restaurants reported large tax reductions. Losses from lack of customers and lower prices were major factors in the decrease in service stations.

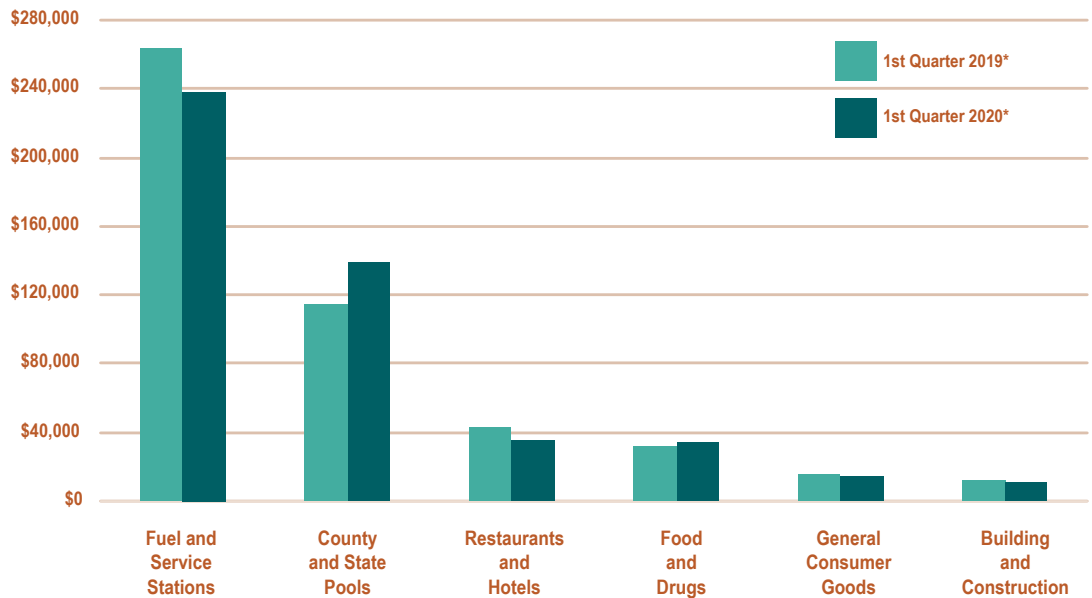
Food/drug stores were the only group to post positive returns, gaining 8.4%.

The countywide pool grew 21.2%; the growth can be attributed to the new revenue from the Wayfair decision and the increase in online shopping.

Voter approved Measure A generated \$247,342, down 12.3%.

Net of aberrations, taxable sales for all of Tehama County declined 1.2% over the comparable time period; the Far North region was up 1.5%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

A Wireless	Les Schwab Tire Center
AutoZone	Loves Travel Stop
Basra Mini Mart	McCoys Hardware & Farm Supply
Burger King	McDonalds
Chevron	Napa Auto Parts
Corning Ace Hardware	O'Reilly Auto Parts
Corning Chevron	Rite Aid
Corning Ford Mercury Chrysler	Safeway
Corning Shell	Sav More
Corning Valero	Speedco California
Dollar General	TA & Petro Travel Centers
Ford Motor Credit	Taco Bell
Jack in the Box	

## REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2018-19	2019-20
Point-of-Sale	\$2,275,496	\$2,169,818
County Pool	355,759	435,280
State Pool	1,198	1,251
Gross Receipts	\$2,632,453	\$2,606,349
Cty/Cnty Share	(263,245)	(260,635)
Net Receipts	\$2,369,208	\$2,345,714
Measure A	\$911,958	\$842,928

**Statewide Results**

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

**New Challenges & Opportunities**

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

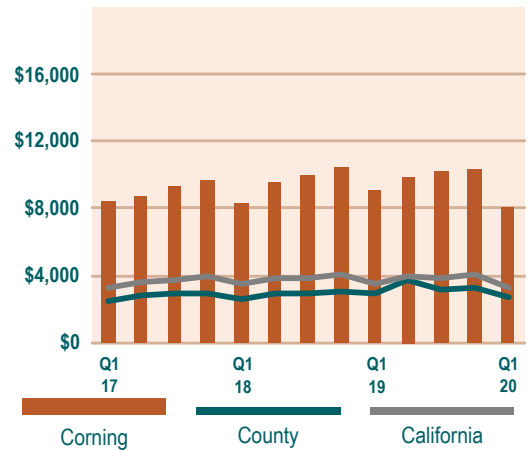
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

**SALES PER CAPITA\***



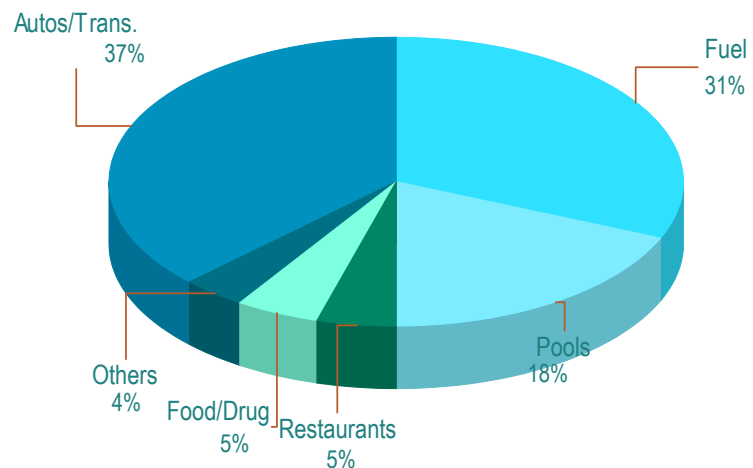
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**COUNTY OVERALL 1Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	-7.1%	-4.7%
Building and Construction	8.6%	8.6%
Business and Industry	0.6%	-10.4%
Food and Drugs	-2.7%	4.6%
Fuel and Service Stations	-15.5%	-8.5%
General Consumer Goods	-13.0%	-5.5%
Restaurants and Hotels	-30.2%	-11.1%
County and State Pools	19.7%	26.4%
<b>Total</b>	<b>-4.1%</b>	<b>-1.2%</b>

\*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP**  
Corning This Quarter\*



\*Allocation aberrations have been adjusted to reflect sales activity