

# Q4 2012



# City of San Rafael Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2012)

## San Rafael In Brief

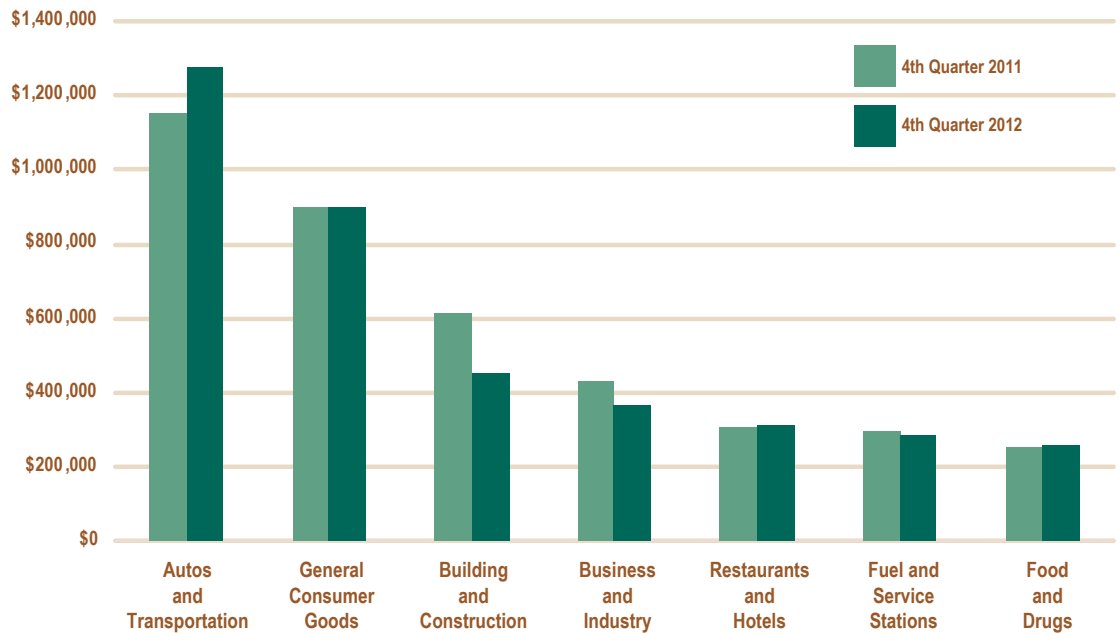
The allocation of sales and use tax from San Rafael's October through December sales was 1.2% higher than the same quarter one year ago. However, the allocation was deflated by a reporting anomaly in lumber/building materials. Actual sales activity was up 8.0% after this and other accounting aberrations were factored out.

A solid quarter for new car sales, auto leases and contractor supplies plus a previous addition to the family apparel category were the primary contributors to the actual increase. A jump in the countywide use tax allocation pool was also a factor and was due to the earlier passage of AB155 which expanded the definition of out-of-state companies required to collect California's sales and use tax.

San Rafael's half-cent Measure "S" tax added an additional \$1,696,308 to the amounts discussed above and was 4.8% higher than last year's comparable quarter. A solid recovery in contractor supplies and auto sales lead the gains.

Adjusted for aberrations, sales and use tax receipts for all of Marin County increased 7.5% over the comparable time period while the nine-county bay region as a whole was up 6.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

|                                  |                         |
|----------------------------------|-------------------------|
| Arco Smog Pros                   | Orchard Supply Hardware |
| Best Buy                         | RAB Mercedes Benz       |
| Daimler Trust                    | Rab Motors              |
| Financial Services Vehicle Trust | Rafael Lumber           |
| Golden State Lumber              | Safeway                 |
| Infiniti Marin                   | Scotland Car Yard       |
| Irwin Shell                      | Sears                   |
| Kohls                            | Shamrock Materials      |
| Lexus of Marin                   | Sonnen Audi Volkswagen  |
| Macys                            | Sonnen BMW              |
| Marin Honda                      | Toys R Us               |
| Marin Mazda                      | Whole Foods Market      |
| Marin Toyota                     |                         |

### REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

|                         | 2011-12             | 2012-13             |
|-------------------------|---------------------|---------------------|
| Point-of-Sale           | \$11,274,694        | \$11,745,058        |
| County Pool             | 1,194,656           | 1,372,191           |
| State Pool              | 1,649               | 5,162               |
| <b>Gross Receipts</b>   | <b>\$12,471,000</b> | <b>\$13,122,411</b> |
| Less Triple Flip*       | \$(3,117,750)       | \$(3,280,603)       |
| <b>Gross Trans. Tax</b> | <b>\$4,845,770</b>  | <b>\$5,102,457</b>  |

\*Reimbursed from county compensation fund

## Statewide Results

Statewide sales tax receipts for October through December sales were up 3.4%; however, net of onetime payment aberrations, actual sales increased 6.1% compared to the same sales period in 2011.

The autos and transportation group, led by continued strong sales of new cars and light trucks, recorded another quarter of robust increases over prior year results and accounted for 26% of the adjusted statewide gain. For many general consumer goods retailers the holiday sales season can be the difference between a profit and a loss for the year. This group bested year-ago receipts by 4.3%. Business and industry totals again included tax receipts from a variety of alternative energy projects. Heavy industrial, office equipment and office supplies/furniture also contributed to the group's 5.3% increase. Restaurant dining remained popular as overall sales moved up 5.7%, with most of the increase going to full and quick-service operators. Higher prices at the pump bolstered returns for fuel and service stations which posted a 2.1% rise, even as gasoline consumption for the period trended down. Receipts for building and construction increased 5.3%, while food and drugs gained 1.5%. County use tax pool totals were buoyed by receipt of previously uncollected taxes on internet sales.

## First Full Quarter for AB 155

AB 155 expanded the definition of nexus to include out-of-state sellers with statewide annual sales of \$1M or more and who have in-state affiliates providing services tied to those out-of-state sales. Effective September 15, 2012 companies meeting these criteria were required to collect California sales and use tax.

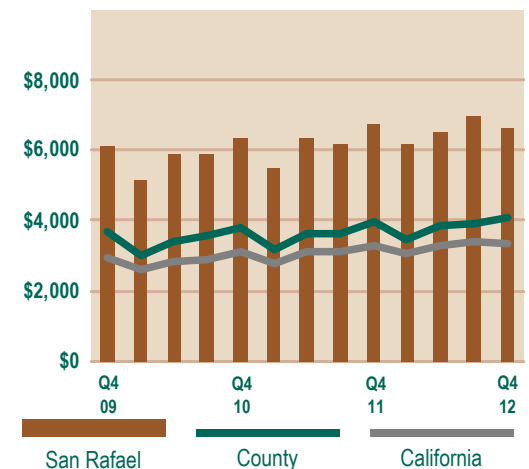
The 26 companies HdL has identified to date as falling under AB 155's criteria produced slightly over \$12M in local one-cent sales tax revenues in the fourth quarter of 2012. It is estimated that this will translate into annual revenues of about \$0.80 per capita. To date, the revenues are being allocated to all jurisdictions in California via the countywide use tax allocation pools. Each city and county receives its proportionate share of the pool based on its ratio of taxable sales.

Past deal making by high volume retailers suggests that new revenues could eventually be redirected to just a few agencies in exchange for sales tax rebates as more out-of-state companies decide where to locate their in-state distribution warehouses. Online sellers already located in the state have negotiated rebates as high as 85% of the local sales tax they collect.

S.336/HR.684, the Federal Marketplace Fairness Act, would provide

a uniform approach to allowing all states to require online and remote sellers to collect sales taxes. The bills are strongly supported by a coalition of national retailers and local governments but are opposed by eBay and anti-tax groups. Although the Sentate has adopted a resolution of support, the bills themselves have not been formally acted upon in either the Senate or House of Representatives.

## SALES PER CAPITA



## SAN RAFAEL TOP 15 BUSINESS TYPES

| Business Type                             | San Rafael       |              | County      | HdL State            |
|---|------------------|--------------|-------------|----------------------|
|   | Q4 '12*          | Change       | Change      | Change               |
| Auto Lease                                | 138.1            | 12.5%        | 9.6%        | 0.1%                 |
| Auto Repair Shops                         | 75.5             | 3.6%         | 3.3%        | 3.0%                 |
| Contractors                               | 116.6            | 27.5%        | 11.5%       | 2.3%                 |
| Department Stores                         | 187.9            | -4.0%        | -2.8%       | -3.2%                |
| Electronics/Appliance Stores              | 219.8            | 7.4%         | -2.8%       | 3.6%                 |
| Family Apparel                            | 111.9            | 34.8%        | 4.3%        | 8.4%                 |
| Grocery Stores Liquor                     | 100.3            | 5.1%         | 4.1%        | -17.6%               |
| Home Furnishings                          | 96.9             | 3.4%         | 1.6%        | 6.6%                 |
| Lumber/Building Materials                 | 216.1            | -47.4%       | -42.6%      | -68.1%               |
| New Motor Vehicle Dealers                 | 873.6            | 11.9%        | 13.2%       | 17.3%                |
| Restaurants Liquor                        | 114.2            | 2.7%         | 7.5%        | 8.1%                 |
| Restaurants No Alcohol                    | 107.7            | -0.4%        | 0.8%        | 5.1%                 |
| Service Stations                          | 286.7            | -2.8%        | 10.5%       | 2.8%                 |
| Specialty Stores                          | 105.3            | -3.4%        | -6.6%       | 0.0%                 |
| Used Automotive Dealers                   | 86.5             | 3.8%         | 8.1%        | 7.7%                 |
| <b>Total All Accounts</b>                 | <b>\$3,857.4</b> | <b>-2.5%</b> | <b>2.3%</b> | <b>2.0%</b>          |
| <b>County &amp; State Pool Allocation</b> | <b>570.9</b>     | <b>35.6%</b> |             |                      |
| <b>Gross Receipts</b>                     | <b>\$4,428.3</b> | <b>1.2%</b>  |             | <i>*In thousands</i> |