

# Q2 2015



# City of San Rafael Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2015)

## San Rafael In Brief

San Rafael's receipts from April through June were 1.0% above 2014's second quarter. Excluding reporting aberrations, actual sales were up 2.1%.

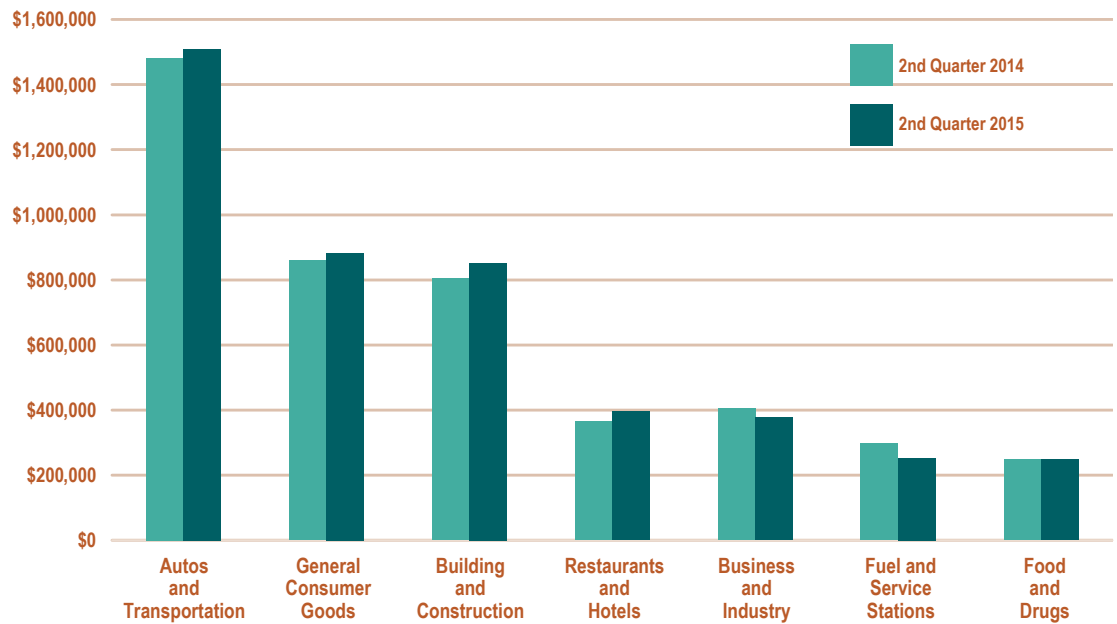
Four of seven major industry groups were up with building and construction showing the largest dollar gain. Sales in multiple restaurant classifications increased but reporting aberrations boosted the comparison. Lackluster gains in the autos and transportation category were partly due to a business relocation. New business additions contributed to general consumer goods totals.

Fuel and service station results were a continuation of a downtrend caused by lower prices at the pump. The business and industry group appeared to be down but the drop was due to retroactive accounting adjustments that temporarily inflated year-ago receipts.

Adjusted results from voter-approved Measure E, when combined with late arriving amounts from the expired Measure S, were up 9.9%.

Net of aberrations, taxable sales for all of Marin County grew 4.5% over the comparable time period; the Bay Area was up 3.9%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Au Energy Shell Station	Marin Infiniti/Nissan
Best Buy	Marin Mazda
California Builder Appliances	Marin Toyota
California Motors	Mercedes Benz of Marin
Consolidated Electrical Distributors	Orchard Supply Hardware
Dollar Rent A Car	Rafael Lumber
Financial Services Vehicle Trust	Safeway
Golden State Lumber	Scotland Car Yard Mitsubishi
Home Depot	Sears
Lexus of Marin	Shamrock Materials
Macys	Sonnen BMW
Marin Honda	Sonnen VW/Audi/ Porche
	Target

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$17,545,839	\$17,811,973
County Pool	2,536,587	2,668,018
State Pool	12,268	12,232
<b>Gross Receipts</b>	<b>\$20,094,694</b>	<b>\$20,492,223</b>
Less Triple Flip*	\$(5,023,673)	\$(5,123,056)
<b>Measure S</b>	<b>\$5,528,639</b>	<b>\$80,247</b>
<b>Measure E</b>	<b>\$2,611,052</b>	<b>\$11,368,368</b>

**Statewide Sales Tax Trends**

Excluding accounting aberrations, the local one cent share of statewide sales occurring April through June was 3.4% higher than the comparable quarter of 2014.

Receipts from the countywide use tax allocation pools accounted for the largest portion of the increase reflecting a continuing shift in consumer preferences from brick and mortar stores to online shopping for merchandise shipped from out of state.

Sales and leases of new cars continued to post impressive gains as did contractor supplies and restaurants. Overall gains were offset by a 17.1% decline in receipts from service stations and petroleum related industries.

**The Remaining Fiscal Year**

The state's unemployment rate continues to decline and real disposable income is expected to grow 2.5% to 3.0% in the second half of 2015. This improvement in incomes coupled with easy credit conditions should stimulate an increase in housing starts as well as capital investment in equipment, alternate energy and technology.

The auto industry is anticipating continuing strong sales until tapering to more sustainable levels in 2016-2017. Building and construction, the only retail segment yet to return to pre-recession levels, is gaining momentum in several regions and is expected to account for 10% of sales tax growth in the second half of the fiscal year.

Restaurant sales continue to rise although there are some concerns that the strong dollar may impact sales in areas that cater to tourists from abroad. Gains from consumer goods are expected to be modest with the strong dollar cutting prices of imported goods and an ongoing shift in consumer spending from tangible goods to services, entertainment and other non-taxable purchases.

Gasoline prices remain well below the previous year due to a worldwide glut

of oil. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the first half of 2015-16 but begin rebounding in the second half.

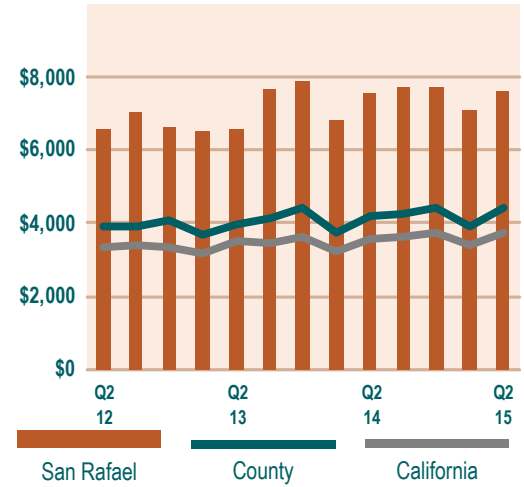
**Internet Sales Tax Proposal**

HR 2775 (The Remote Transaction Parity Act) is a new proposal by Representative Jason Chaffetz (R-Utah) authorizing states to require remote sellers without physical presence in their state to collect state and local sales tax from in-state buyers.

The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under \$5 million, and requires states to provide software to enable remote sellers to collect and remit their tax.

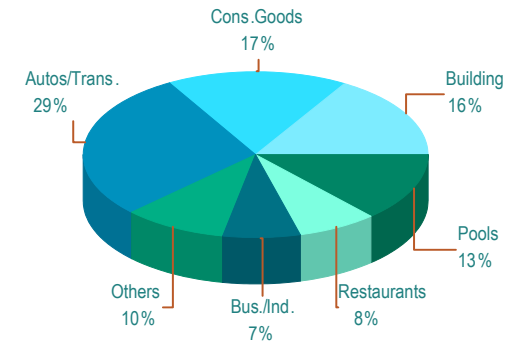
The Board of Equalization estimates that local governments in California currently lose approximately \$44 per capita in uncollected sales and use tax on e-commerce purchases.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

San Rafael This Quarter



**SAN RAFAEL TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	San Rafael Q2 '15*	San Rafael Change	County Change	HdL State Change
Auto Lease	150.1	9.7%	11.9%	28.4%
Auto Repair Shops	98.2	8.4%	3.8%	7.3%
Casual Dining	222.7	11.5%	5.9%	6.4%
Contractors	172.7	6.1%	-8.6%	8.5%
Department Stores	— CONFIDENTIAL —		3.2%	-2.1%
Discount Dept Stores	— CONFIDENTIAL —		0.5%	0.0%
Electronics/Appliance Stores	199.7	5.6%	9.1%	-1.6%
Family Apparel	82.4	-8.3%	-1.4%	3.0%
Home Furnishings	113.2	24.0%	2.7%	7.4%
Lumber/Building Materials	509.2	8.0%	7.5%	4.4%
New Motor Vehicle Dealers	975.2	-10.1%	6.4%	9.3%
Quick-Service Restaurants	74.8	2.9%	11.6%	9.2%
Service Stations	252.6	-14.8%	-10.2%	-11.7%
Specialty Stores	91.3	2.5%	5.7%	5.4%
Transportation/Rentals	131.8	326.4%	186.9%	8.2%
<b>Total All Accounts</b>	<b>4,516.4</b>	<b>1.2%</b>	<b>5.1%</b>	<b>2.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>699.0</b>	<b>-0.3%</b>	<b>3.5%</b>	<b>11.8%</b>
<b>Gross Receipts</b>	<b>5,215.5</b>	<b>1.0%</b>	<b>4.9%</b>	<b>3.8%</b>