

# Q1 2018



# City of Nevada City Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2018)

## Nevada City In Brief

Nevada City's receipts from January through March were 0.9% above the first sales period in 2017. Excluding reporting aberrations, actual sales were up 4.3%.

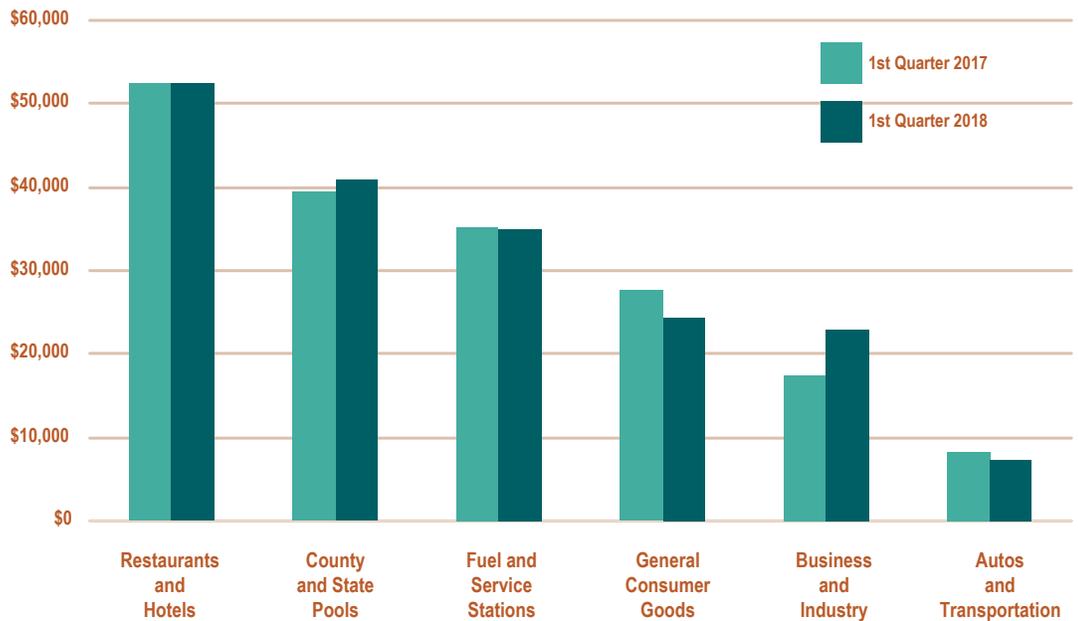
A payment anomaly was largely responsible for the temporary dip from fuel and service stations; with irregularities removed, this group was up 11%, outperformed the region and was in line with state trends. Account corrections in both quarters netted modest growth from casual dining.

Better company to company sales boosted returns in business and industry. Specialty stores declined, primarily caused by a double payment in the year-ago period.

Locally approved taxes produced \$131,802 from Measure S plus \$98,551 from Measure L; both dipped slightly due to taxpayer late remittances. Last year's voter endorsed Measure C contributed \$96,708 of new revenues for the current quarter.

Net of aberrations, taxable sales for all of Nevada County grew 2.8% over the comparable time period; the Far North region was up 3.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

49er Communications	Port of Subs Express Market
Bonanza Market	Riebes Auto Parts
California Organics	Robinson Ent Investment Co
Chevron	Robinson Enterprises
Crazy Horse Saloon & Grill	Solstice
Friar Tucks Restaurant	South Pine Cafe
Fur Traders	SPD Market
Jernigans Tap House & Grill	Stone House
JH Petroleum	Sushi In The Raw
Mi Pueblo Taqueria	Telestream
New Moon Cafe	Three Forks Bakery & Brewing Company
Northridge of Nevada City	Vital Garden Supply
Plaza Tire & Auto Service	

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$774,661	\$816,548
County Pool	184,196	228,845
State Pool	625	300
<b>Gross Receipts</b>	<b>\$959,482</b>	<b>\$1,045,694</b>
Measure S	\$621,379	\$627,998
Measure L	\$465,969	\$470,121
Measure C	\$49	\$459,249

**CDTFA Changes**

The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

**Statewide Results**

Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HdL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

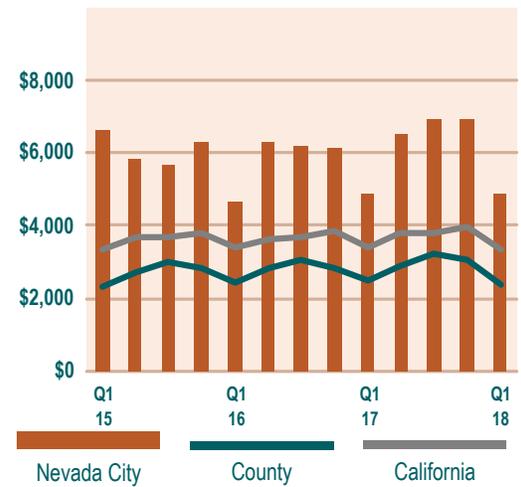
**Supreme Court Ruling**

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by *Quill* is no longer a clear or easily applicable standard, and the on-line interstate marketplace was not the prevailing issue before the court in 1992.

In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about \$1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average \$60 per year for each California household, and California businesses average \$171 per year in unpaid use tax liabilities. The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

**SALES PER CAPITA**



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

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	0.6%	2.3%
Building and Construction	13.6%	13.6%
Business and Industry	-4.5%	0.6%
Food and Drugs	-2.7%	0.1%
Fuel and Service Stations	-3.2%	4.7%
General Consumer Goods	-11.9%	-3.5%
Restaurants and Hotels	-15.1%	-4.2%
County and State Pools	-0.6%	6.5%
<b>Total</b>	<b>-3.1%</b>	<b>2.8%</b>

\*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP Nevada City This Quarter**

