

Q3 2018



City of Nevada City Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

Nevada City In Brief

Nevada City's receipts from July through September were 21.3% above the third sales period in 2017 with the recovery of nearly \$78,000 in payments that were not turned over by the State last quarter but net of \$8,100 in payments missing from this period as tax return processing issues still persist at the State level. Excluding this and other reporting adjustments, actual receipts were down 2.1%.

Discounting the effects of the payment issues, gains from fuel vendors were up 24%, while general consumer good sales were up 8.5%.

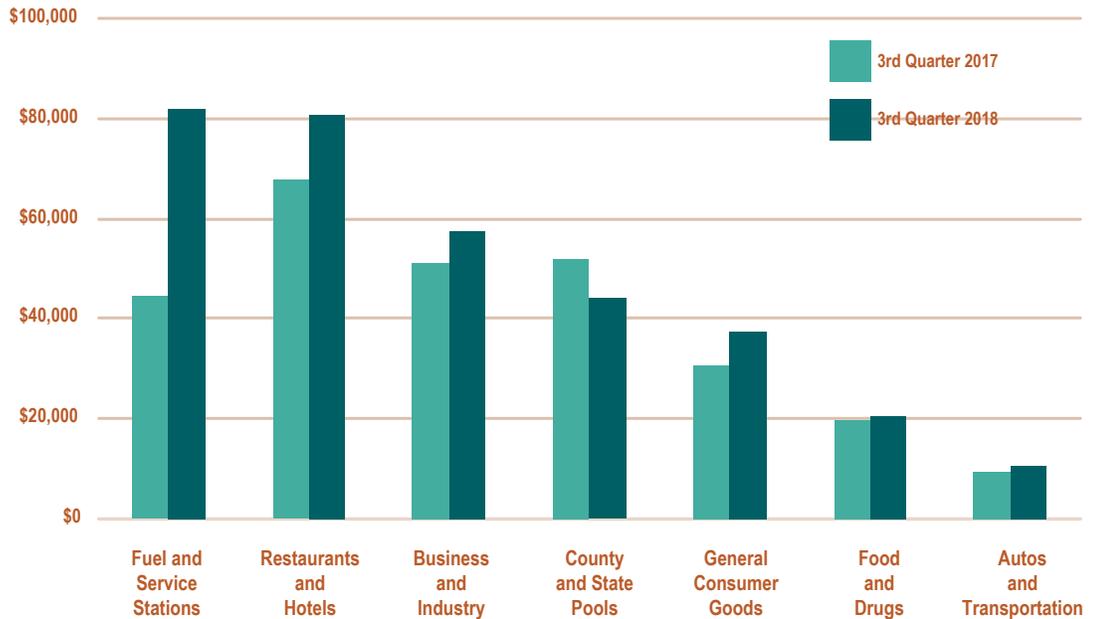
Restaurant activity was 10% lower compared to this time last year and business-to-business sales were 22% lower.

The City's pool allocation was lower this period as an expected correction was made for a previous taxpayer overpayment to the pool.

Measure S, the 1/2% district tax and Measure C, the 3/8% tax brought in \$179,225 and \$128,488 respectively. These figures are net of the prior period payment issues and represent increases of 2.1% (Measure S) and 3% (Measure C) over the prior year.

Net of adjustments, taxable sales for all of Nevada County grew 5.2% over the comparable time period, while those of the entire Far North region were up 2.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

49er Communications	Plaza Tire & Auto Service
Abstrakt	Port of Subs Express Mart & Gas Station
Bonanza Market	Robinson Enterprises
California Organics	Sierra Metal Fabricators
Chevron	SPD Market
Crazy Horse Saloon & Grill	SPD Saw Shop
Friar Tucks Restaurant	Sushi In The Raw
Gyro Stabilized Systems	Telestream
Ikes Quarter Cafe	Three Forks Bakery & Brewing Company
Lefty's Grill	Tour of Nevada City Bicycle Shop
Mine Shaft	Vital Garden Supply
Mini Mania	
New Moon Cafe	
Northridge Inn	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$224,231	\$290,750
County Pool	51,637	43,993
State Pool	190	151
Gross Receipts	\$276,058	\$334,894
Measure S	\$166,315	\$219,065
Measure C	\$122,091	\$163,618

California Overall

The CDTEA's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

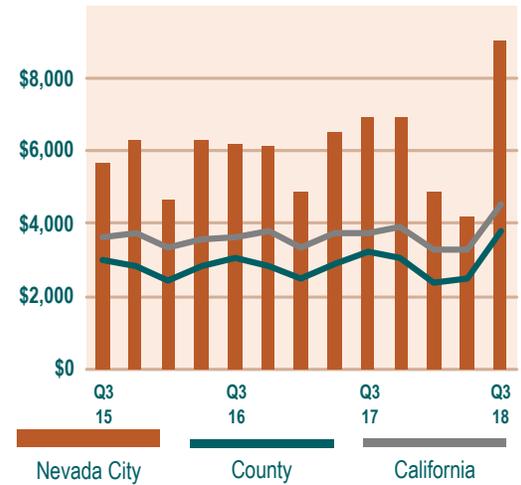
California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

SALES PER CAPITA



COUNTY OVERALL 3Q YOY RECEIPTS % CHANGE

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	-24.7%	-17.7%
Building and Construction	70.5%	59.0%
Business and Industry	2.5%	-22.3%
Food and Drugs	-5.5%	-5.0%
Fuel and Service Stations	-36.1%	-3.8%
General Consumer Goods	18.8%	8.9%
Restaurants and Hotels	-4.4%	-11.5%
County and State Pools	-1.9%	-20.4%
Total	-4.1%	-8.0%

*Accounting anomalies factored out

REVENUE BY BUSINESS GROUP Nevada City This Quarter

