

# Q4 2017



# City of Lompoc Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2017)

## Lompoc In Brief

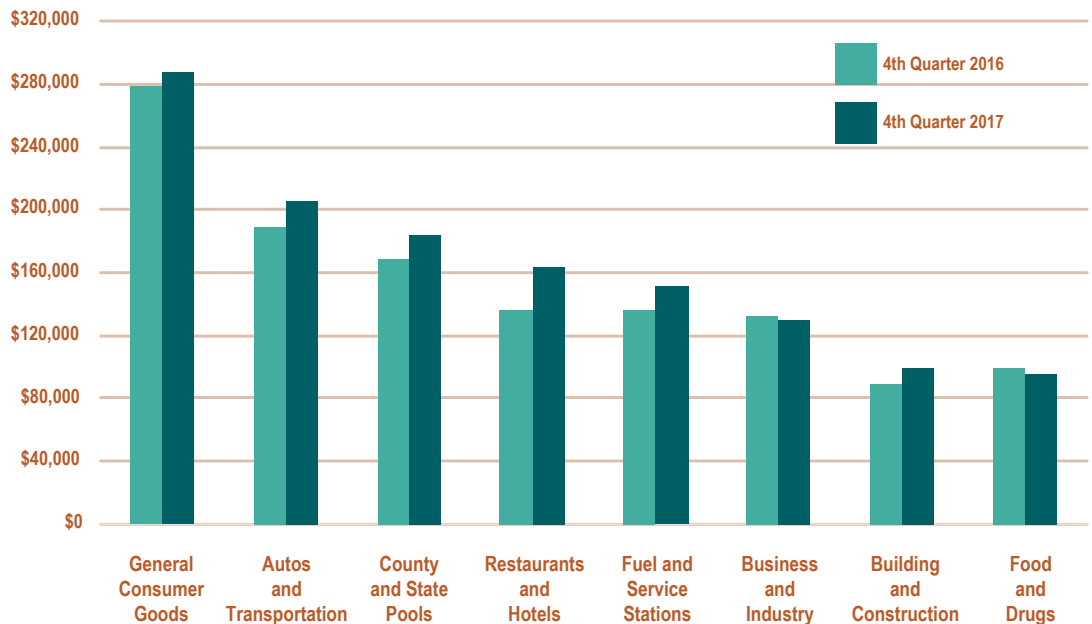
Receipts for Lompoc's October through December sales were 7.0% higher than the same quarter one year ago.

Solid sales at the City's new car dealers outpaced both county and regional averages while higher prices at the pump fueled service station gains. New outlets helped both quick-service and casual dining restaurants although payment anomalies inflated results from casual dining. Family apparel and variety stores were bright spots in general consumer goods in addition to a holiday "pop-up" specialty store. Both the building and construction sector and the larger allocation from the county use tax pool contributed to this quarter's increase in gross receipts.

Postings declined from some categories of consumer goods and the medical/biotech sector. Accounting aberrations depressed comparisons for auto supply and overstated losses from grocery stores.

Adjusted for onetime reporting events, taxable sales for all of Santa Barbara County rose 1.5% over the same period; Central Coast regional totals increased 3.9%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Ross
Albertsons	Seasmoke Cellars
Circle K	Stuarts Valero Mart
Conserv Fuel	Sunbelt Rentals
Den Mat	Sunset Auto Center
FoodsCo	Sunshine Market & Gas
Home Depot	Toyota of Lompoc
JB Dewar	USA Gas
Marshalls	Valley Rock Ready Mix
McDonalds	Vons
Pacific Coast RV	Vons Gas
Rockettown Chrysler Dodge Jeep Ram	Walmart Supercenter
Rockettown Honda	

### REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$2,973,864	\$3,240,649
County Pool	462,581	502,043
State Pool	1,772	678
<b>Gross Receipts</b>	<b>\$3,438,217</b>	<b>\$3,743,370</b>

**California Overall**

Factored for accounting anomalies, statewide fourth quarter receipts from local government's one cent sales tax were 4.5% higher than the holiday quarter of 2016.

Rising fuel prices and solid gains from building/construction supplies, restaurants and e-commerce were the primary contributors to the overall increase. A healthy quarter for auto sales and construction equipment were additional factors. Tax revenues from general consumer goods sold through brick and mortar stores rose a modest 1% over last year's comparable quarter while receipts from online sales increased 13.2%.

Performance for the inland areas of the state were generally stronger than the coastal areas which had earlier recovered from the previous downturn.

**Nexus Issue to be Revisited**

In 1992, the U.S. Supreme Court ruled in *Quill v. North Dakota* that businesses lacking a physical presence or "nexus" in a state cannot be required to collect or remit that state's taxes. This does not excuse buyers from paying a corresponding use tax but the costs of enforcement, particularly on smaller purchases, is difficult and local brick and mortar retailers are placed at a competitive disadvantage.

California has been more effective at collecting use tax than most states with an aggressive program of auditing major business purchases, requiring CPA's to report unpaid use tax on client's annual returns and requiring businesses with annual gross receipts of \$100,000 or more to register for the purposes of reporting use tax.

The State has also increased the number of out-of-state sellers required to collect sales tax through broader definitions of what constitutes physical presence including a requirement that larger internet retailers collect and remit sales tax if paying a commission for customer referrals obtained via a link on a California seller's website.

Still, the estimated revenue losses are substantial particularly for agencies with voter-approved transactions tax districts. Because of *Quill*, retailers are

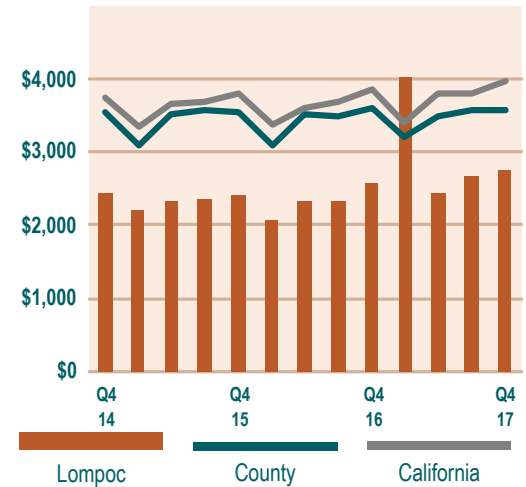
not required to collect the tax for purchases in an adjacent jurisdiction if the retailer has no physical presence in that jurisdiction. The resulting loss to local governments projected by the State Board of Equalization in 2016-17 was \$756 Million in uncollected tax revenues and losses to the state of \$697 Million: (<https://www.boe.ca.gov/legdiv/pdf/e-commerce-2017F.pdf>).

Congress has refused to act on numerous attempts to seek legislative relief over the last two decades. However, three justices – Clarence Thomas, Neil Gorsuch and Anthony Kennedy have recently expressed doubts about the *Quill* decision with Kennedy noting in 2015, that the ruling has produced a "startling revenue shortfall" in many states as well as "unfairness to local retailers and customers."

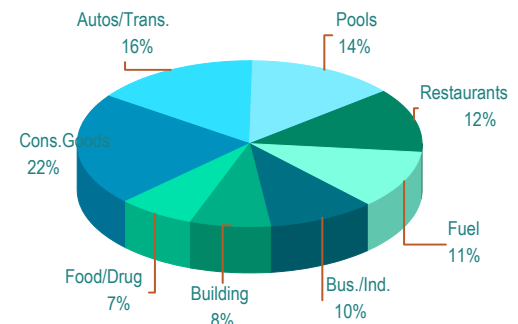
In January 2018, the U.S. Supreme Court agreed to hear arguments in the case of *South Dakota v. Wayfair Inc.* where *Wayfair* is challenging the State's recently adopted requirement that retailers collect and remit, or pay, sales tax on purchases made by South Dakota residents.

Oral arguments are scheduled for April with a decision expected by the end of June 2018.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Lompoc This Quarter



**LOMPOC TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Lompoc Q4 '17*	Change	County Change	HdL State Change
Automotive Supply Stores	23.0	-9.6%	-6.4%	1.9%
Building Materials	— CONFIDENTIAL —	—	14.7%	11.6%
Casual Dining	67.2	23.9%	0.5%	3.5%
Convenience Stores/Liquor	28.2	3.0%	2.7%	8.3%
Discount Dept Stores	— CONFIDENTIAL —	—	11.5%	4.1%
Electronics/Appliance Stores	22.8	5.2%	6.1%	5.8%
Family Apparel	52.5	9.0%	1.4%	2.1%
Fast-Casual Restaurants	— CONFIDENTIAL —	—	11.0%	8.9%
Grocery Stores	54.6	-7.9%	-6.1%	-1.5%
Medical/Biotech	24.6	-18.0%	1.9%	4.9%
New Motor Vehicle Dealers	146.0	13.8%	-5.7%	2.6%
Quick-Service Restaurants	79.1	7.7%	-0.9%	5.0%
Service Stations	142.5	11.8%	6.4%	11.4%
Variety Stores	16.3	13.2%	10.2%	10.5%
Wineries	63.8	-3.0%	-0.2%	-0.3%
<b>Total All Accounts</b>	<b>1,132.0</b>	<b>6.7%</b>	<b>1.2%</b>	<b>4.0%</b>
<b>County &amp; State Pool Allocation</b>	<b>184.1</b>	<b>9.1%</b>	<b>3.5%</b>	<b>0.8%</b>
<b>Gross Receipts</b>	<b>1,316.2</b>	<b>7.0%</b>	<b>1.5%</b>	<b>3.6%</b>