

# Q2 2017



# Santa Cruz County Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

## Santa Cruz County In Brief

The unincorporated area's receipts from April through June were 6.1% above the second sales period in 2016. Excluding reporting aberrations, actual sales were up 3.9%.

The return of higher gas prices, recent addition of a new service station and a payment aberration in the prior year all contributed to the spike in receipts from the fuel group. Strong summer results by multiple contractors, plumbing/electrical suppliers and material vendors lifted building-construction.

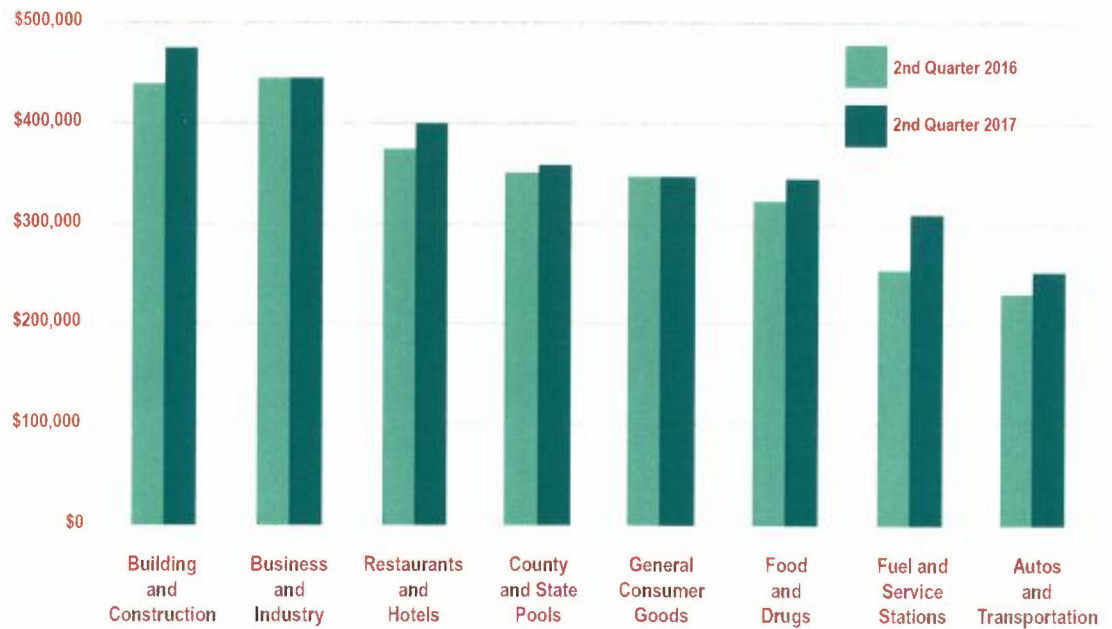
Greater variety and creative new concepts continues to increase consumer interest in eating out, positively impacting returns from restaurants, while improved sales were also responsible for auto-transportation gains.

These increases in local point of sale revenue and increased capital and online purchases of items shipped into the region boosted allocations from the use tax pools, further enhancing overall growth.

The countywide quarter-cent library tax generated an additional \$2,669,090, an increase of 6.0% over the prior year.

Net of aberrations, taxable sales for all of Santa Cruz County grew 4.8% over the comparable time period; the Central Coast region was up 4.9%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

In ALPHABETICAL ORDER

76	Marshalls
ABC Supply	Mountain Feed & Farm Supply
Best Buy	Ocean Honda
Big Creek Lumber	Palace Art & Office Supply
Boulder Creek Beacon Station	Performance Food Service
Capitola Healing Association	Pet Pals
Chaminade Hotel	Probuild Company
Chevron	Quik Stop
Crop Production Services	Safeway
Felton Valero	Safeway Fuel
Home Depot	Scarborough Home Center
Independent Electric Supply	Seascape Resort
Kind Peoples Collective	

## REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
<b>Point-of-Sale</b>	\$2,410,752	\$2,570,974
<b>County Pool</b>	349,447	360,234
<b>State Pool</b>	842	(1,349)
<b>Gross Receipts</b>	<b>\$2,761,042</b>	<b>\$2,929,860</b>
<b>Less Triple Flip*</b>	\$0	\$0

\*Reimbursed from county compensation fund

NOTES

## California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

## Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

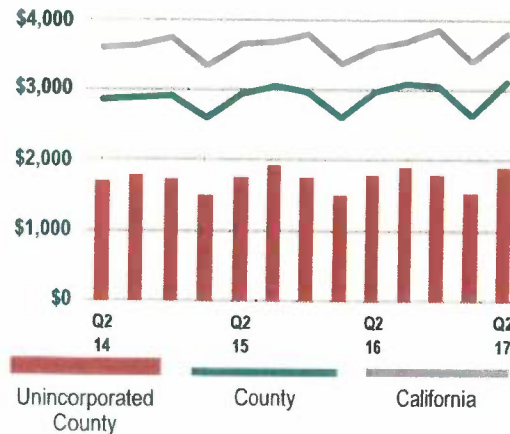
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

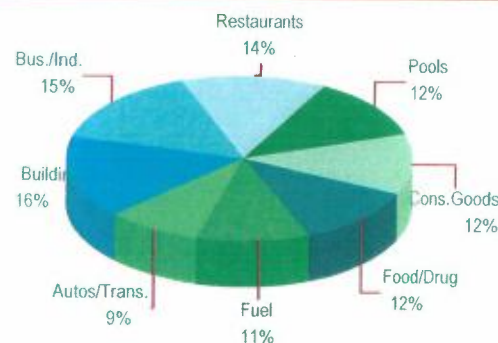
For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

## SALES PER CAPITA



## REVENUE BY BUSINESS GROUP

Santa Cruz Co. Uninc This Quarter



## SANTA CRUZ COUNTY TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Unincorporated County	County	HdL State	
	Q2 '17*	Change	Change	Change
Auto Repair Shops	55.0	0.6%	1.1%	9.2%
Building Materials	353.6	6.7%	5.7%	6.0%
Casual Dining	231.5	6.8%	3.0%	2.1%
Contractors	53.2	15.1%	-7.8%	9.7%
Convenience Stores/Liquor	79.8	4.8%	6.7%	5.2%
Electronics/Appliance Stores	— CONFIDENTIAL —		0.9%	0.2%
Garden/Agricultural Supplies	183.4	-3.3%	2.0%	4.4%
Grocery Stores	102.8	-2.4%	1.3%	2.1%
Home Furnishings	55.9	0.7%	-15.1%	0.4%
Marijuana Related	116.7	18.6%	16.0%	15.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —		18.8%	3.2%
Plumbing/Electrical Supplies	59.3	10.4%	13.5%	3.7%
Quick-Service Restaurants	52.3	0.8%	9.6%	5.8%
Service Stations	308.4	21.4%	9.9%	8.6%
Specialty Stores	66.1	-3.0%	-1.3%	0.9%
<b>Total All Accounts</b>	<b>2,571.0</b>	<b>6.6%</b>	<b>5.3%</b>	<b>6.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>358.9</b>	<b>2.5%</b>	<b>1.2%</b>	<b>-9.9%</b>
<b>Gross Receipts</b>	<b>2,929.9</b>	<b>6.1%</b>	<b>4.8%</b>	<b>4.1%</b>