

Q2 2019



Santa Cruz County Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

Santa Cruz County In Brief

The unincorporated area's receipts from April through June were 18.8% above the second sales period in 2018. The results are inflated by the delayed distributions from last year, triggered by the State's new reporting system. Excluding the missing payments and other reporting adjustments, actual receipts for the current period were down 2.4%.

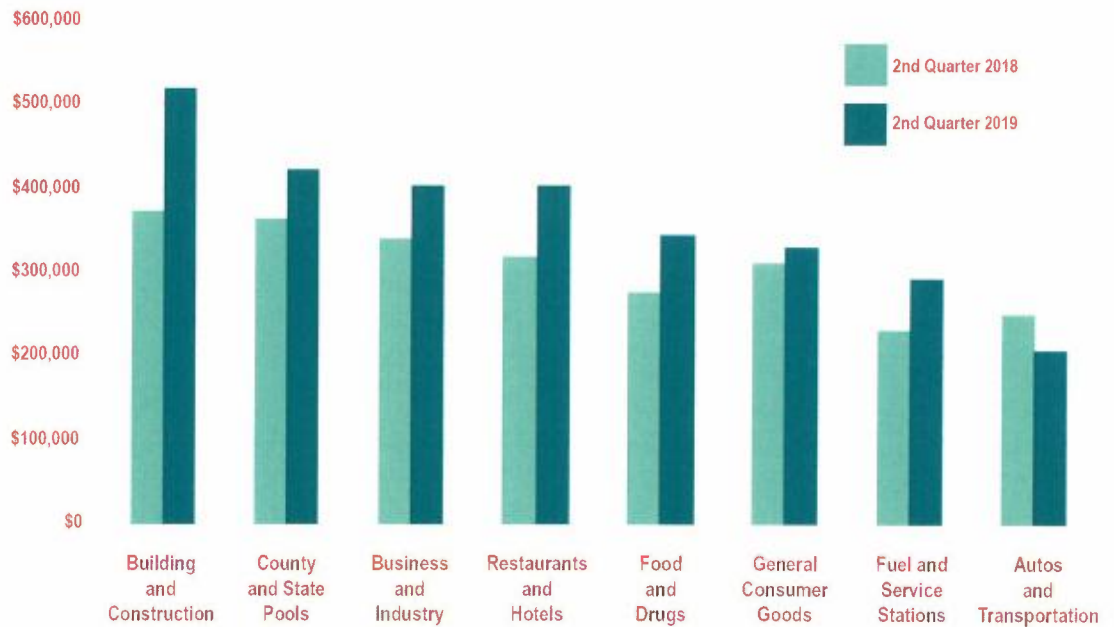
Focusing on receipts from this period, general consumer good sales declined while the results were further skewed by a prior store closure. Similarly, business and industry group results were hurt by an outlet's closure. Auto and transportation group sales were lower, reflecting the regional trend.

The County's share of the county-wide use tax pool increased slightly which increased this period's allocation.

Measure R, the countywide .25% transaction tax generated \$2,679,865 this period which is even with last period's results when reporting issues are discounted. Meanwhile, Measure G, the .5% tax covering only the unincorporated area, brought in \$1,651,835 during its first period of collection.

Net of adjustments, taxable receipts for all of Santa Cruz County grew 1.8% over the comparable time period while those of the entire Central Coast region were up 2.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Independent Electric Supply
ABC Supply Co	Joby Aviation
Ajs Chevron Mart & Car Wash	Kind Peoples Collective
Best Buy	Marshalls
Big Creek Lumber	Ocean Honda
Boulder Creek American	Palace Art & Office Supply
Chaminade Hotel	Pet Pals
Chevron	Probuild Company
Crop Production Services	Safeway
Felton Valero	Safeway Fuel
Ferguson Enterprises	Santa Cruz Naturals
Home Depot	Scarborough Building Supply
	Seascape Resort

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2017-18	2018-19
Point-of-Sale	\$9,545,110	\$10,685,877
County Pool	1,438,748	1,714,547
State Pool	5,545	5,405
Gross Receipts	\$10,989,403	\$12,405,829
Measure G	\$0	\$1,667,967

California Overall

The local one percent share of California’s sales and use tax from April through June sales was 20.4% higher than the same quarter in 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value-priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client’s sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

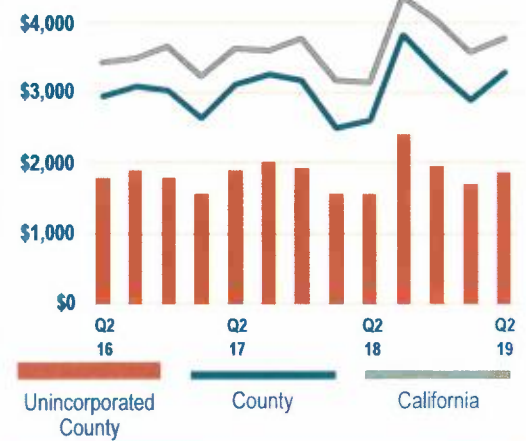
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California’s approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

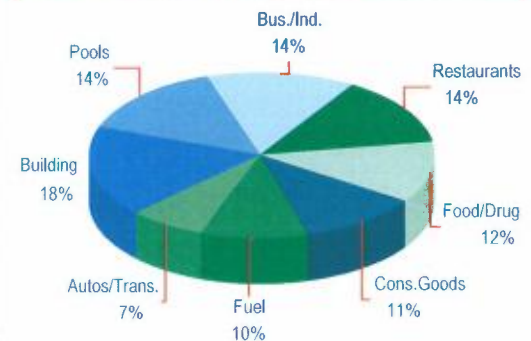
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state’s sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

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 '19*	Change	Change	Change
Auto Repair Shops	59.7	5.1%	10.0%	21.5%
Building Materials	399.8	45.6%	48.0%	34.1%
Cannabis Related	99.5	80.5%	44.1%	71.1%
Casual Dining	230.1	28.9%	22.0%	24.4%
Contractors	49.2	14.4%	18.9%	27.0%
Convenience Stores/Liquor	87.1	10.0%	11.6%	15.0%
Electronics/Appliance Stores	— CONFIDENTIAL —		-15.6%	7.0%
Garden/Agricultural Supplies	185.3	45.9%	38.7%	21.9%
Grocery Stores	109.1	11.3%	18.8%	9.7%
Home Furnishings	51.6	15.3%	-3.2%	15.5%
New Motor Vehicle Dealers	— CONFIDENTIAL —		3.1%	5.4%
Plumbing/Electrical Supplies	65.0	17.9%	16.6%	29.0%
Quick-Service Restaurants	59.1	5.7%	9.9%	15.9%
Service Stations	291.8	26.3%	62.2%	51.4%
Specialty Stores	53.0	-29.1%	-16.4%	-8.0%
Total All Accounts	2,509.0	19.3%	25.3%	20.1%
County & State Pool Allocation	423.1	16.1%	21.9%	22.4%
Gross Receipts	2,932.1	18.8%	24.8%	20.4%