

Q2 2012



City of Carson Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2012)

Carson In Brief

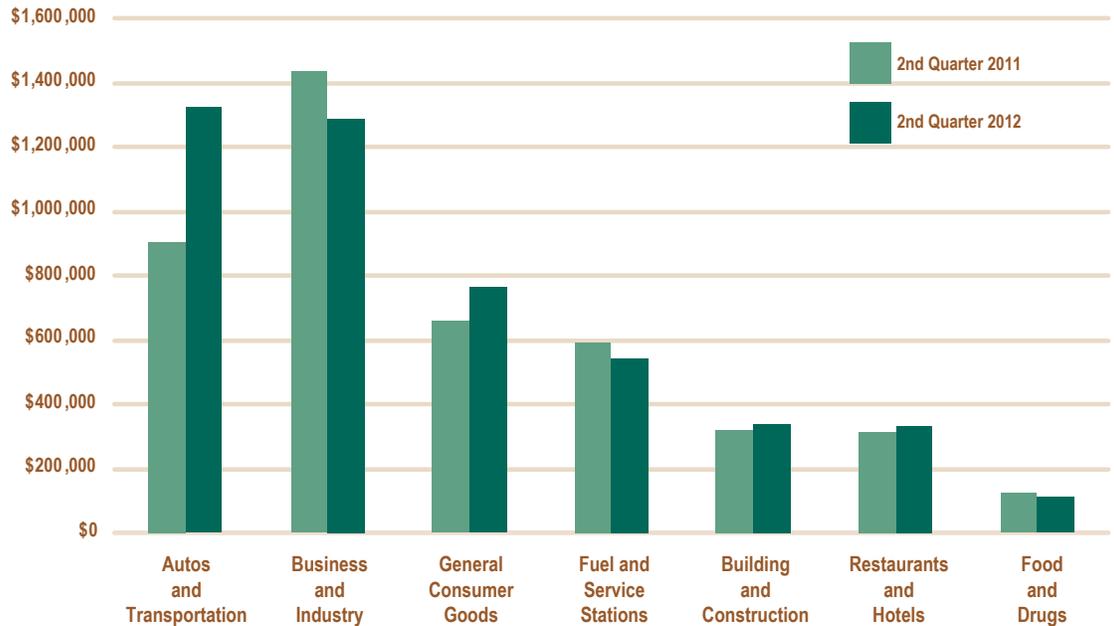
Receipts for Carson's April through June sales were 9.0% higher than the same quarter one year ago. Actual sales activity was up 14.7% when reporting aberrations were factored out.

A strong sales quarter for the autos and transportation sector was primarily responsible for the current increase. Receipts from electronics/appliance stores were inflated by a onetime accounting adjustment.

The gains were partially offset by accounting adjustments that inflated year-ago returns and exaggerated the drop in office supplies/furniture and a business closeout that reduced receipts from heavy industrial.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 7.6% over the comparable time period, while the Southern California region as a whole was up 7.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Arco AM PM	Lakeshore Learning Materials
Arco Material Supply	Los Angeles Truck Centers
AT&T Mobility	McJunkin Red Man
Buswest	Ondeo Nalco
Car Pros Kia	Penske Truck Leasing
Carson Honda	Perfect Fit
Carson Nissan	Rapid Gas
Carson Toyota	Rhodia
En Pointe Technologies	Shell
HD Supply Repair & Remodel	Target
Herbalife	Western Tube & Conduit
Home Depot	Win Hyundai
Ikea	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$4,346,257	\$4,703,293
County Pool	482,121	553,937
State Pool	(2,563)	4,715
Gross Receipts	\$4,825,815	\$5,261,944
Less Triple Flip*	\$(1,206,454)	\$(1,315,486)

*Reimbursed from county compensation fund

Statewide Results

Net of payment aberrations, second quarter retail sales were 7.5% higher than the same period one year earlier.

Purchases of new automobiles, spurred by low interest rates, easy credit and manufacturers' incentives, outpaced first quarter growth and generated 22% of the total increase. Business-to-business sales reflected strength in a number of sectors, notably heavy industrial, business services and equipment for energy related projects. Restaurant and hotel receipts grew by 8.6%, outpacing all other industry groups except autos and transportation. Family apparel sales were strong but weak electronics/appliances returns and lackluster results from department stores and big box discounters held general consumer group gains to a modest 3.9%. Flattening fuel prices and ongoing weakness in lumber and building materials sales also restrained overall results.

Outlook for the Year

The momentum for the recovery is slowing and has recently prompted another round of "quantitative easing" by the Federal Reserve Board in an effort to reinvigorate the housing market and spur business investment by keeping interest rates low. Retail growth in California, which fell further than the nation as a whole during the "Great Recession," may outpace the nation going forward but stubborn unemployment, nearly static income levels, and cautious business spending will keep overall sales at moderate levels at least through 2014-15.

Sales Tax from On-line Retailers

AB 155, which was passed last year as a compromise with Amazon.com went into effect on September 15. While the bill expanded the state's ability to require the collection of tax

on out-of-state sales, local agencies expecting immediate revenue gains will be disappointed.

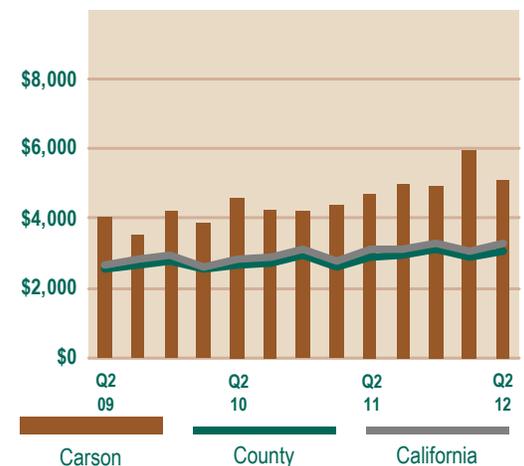
Federal case law continues to provide that remote sellers without nexus in a state are not required to collect that state's sales tax. Amazon agreed not to contest AB 155's definition of nexus which includes remote sellers who have annual sales in California of one million dollars or more and who have an in-state affiliate that provides services in connection with the remote seller's sales if those connected sales exceed \$10,000 per year.

The Board of Equalization's initial estimate was that the legislative change would raise approximately \$38.2 million in one-cent local revenues. However since then, Amazon which was a significant portion of the estimate has decided to build distribution facilities in California which will divert the revenues to the hosting jurisdictions. Other remote sellers, such as Overstock.com, have announced that

they will simply drop their in-state affiliates to avoid collecting the tax.

The Board of Equalization expects to add up to 100 staff positions over the next three years to enforce the new provisions. However, at least initially, local governments should not expect annual revenues of more than \$0.25 per capita and the ultimate solution continues to be federal legislation that eliminates the nexus prohibition and levels the playing field for all retailers.

SALES PER CAPITA



CARSON TOP 15 BUSINESS TYPES

Business Type	Carson		County	HdL State
	Q2 '12*	Change	Change	Change
Contractors	92.6	15.0%	7.7%	11.6%
Department Stores	80.4	-10.6%	1.3%	1.3%
Discount Dept Stores	207.6	4.2%	2.6%	3.7%
Drugs/Chemicals	565.2	6.9%	4.8%	-2.8%
Electronics/Appliance Stores	138.2	298.6%	16.4%	-2.5%
Heavy Industrial	124.8	-43.9%	12.4%	14.2%
Home Furnishings	194.3	0.1%	8.4%	7.1%
Lumber/Building Materials	184.5	4.8%	16.6%	20.5%
New Motor Vehicle Dealers	1,006.2	38.3%	20.3%	22.3%
Office Supplies/Furniture	187.1	-36.4%	-27.5%	-12.8%
Repair Shop/Hand Tool Rentals	74.5	27.0%	7.4%	11.0%
Restaurants No Alcohol	235.3	5.0%	7.1%	8.1%
Service Stations	479.9	14.4%	0.9%	2.3%
Trailers/Auto Parts	101.5	-2.2%	25.3%	14.1%
Transportation/Rentals	170.4	183.9%	15.1%	10.2%
Total All Accounts	\$4,703.3	8.2%	5.8%	6.7%
County & State Pool Allocation	558.7	16.5%		
Gross Receipts	\$5,261.9	9.0%		<i>*In thousands</i>