

# Q2 2016



# City of Carson Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

## Carson In Brief

Carson's receipts from April through June were 5.4% below the second sales period in 2015. Excluding reporting aberrations, actual sales were down 3.7%.

For the seventh straight quarter, weak demand for crude oil and a stable supply of retail fuel locally pushed gas prices down, negatively impacting revenue from service stations. A major sales tax producer relocated causing a steep decline for office supplies and furniture. Accounting adjustment that inflated year-ago returns caused the loss for general consumer goods.

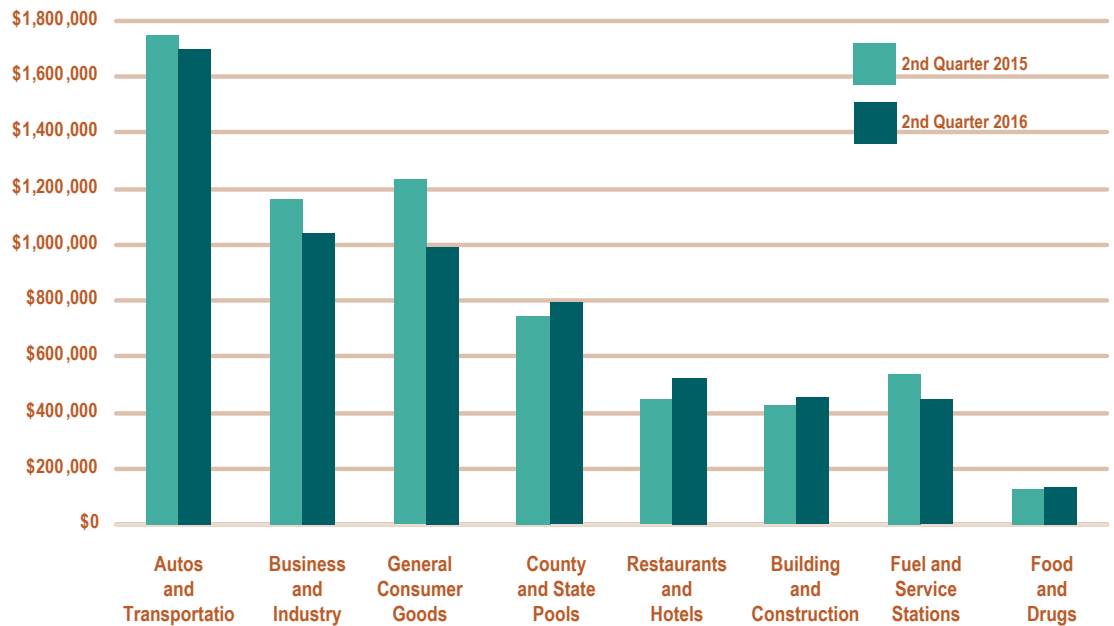
Losses from transportations and rentals were the most significant factor in the overall sales decline from autos and transportation.

Receipts from casual dining and quick-service restaurants continue to grow with a greater variety and new options for customers. A positive accounting adjustment led to the rise in drugs and chemicals.

The City's share of the countywide use tax pool increased 7.4% over the comparison period.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.1% over the comparable time period; the Southern California region was up 1.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Buswest	JC Penney
Car Pros Kia	Lakeshore Learning Materials
Carson Honda	McJunkin Red Man
Carson Nissan	Ondeo Nalco
Carson Toyota	Penske Truck Leasing
Eco Services	Perfect Fit
El Pescador	Sole Fitness
Ferguson Plumbing	Southbay Truck Center/Buswest
HD Supply Repair & Remodel	Target
Herbalife	Toyota Lease Trust
Home Depot	United Oil
Hyundai Lease Titling Trust	Win Hyundai Carson
Ikea	

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$5,679,824	\$5,284,534
County Pool	738,782	793,264
State Pool	4,781	1,854
Gross Receipts	\$6,423,387	\$6,079,652
Less Triple Flip*	\$(1,605,847)	\$0

\*Reimbursed from county compensation fund

**California Overall**

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

**Interest In Tax Reform Grows**

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

**Expand the Base / Lower the Rate:**

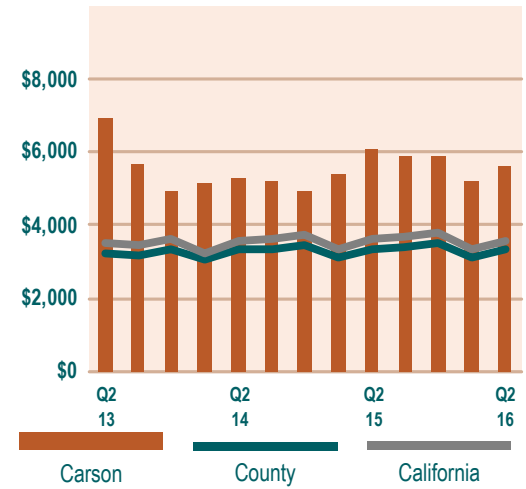
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

**Allocate to Place of Consumption:**

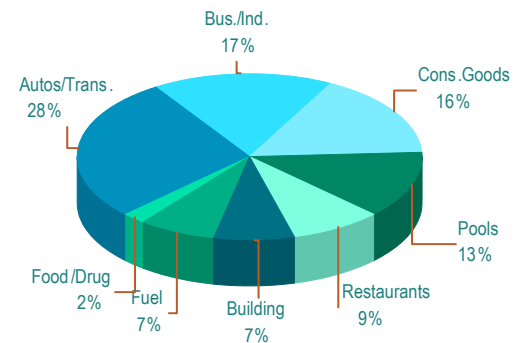
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Carson This Quarter



**CARSON TOP 15 BUSINESS TYPES**

Business Type	Carson		County	HdL State
	Q2 '16*	Change	Change	Change
Auto Lease	168.6	23.2%	16.5%	20.6%
Casual Dining	168.6	30.1%	6.6%	4.4%
Contractors	94.9	3.4%	10.2%	6.3%
Discount Dept Stores	— CONFIDENTIAL —	—	0.4%	0.7%
Drugs/Chemicals	471.6	41.4%	-0.6%	2.8%
Heavy Industrial	103.9	18.0%	5.2%	6.8%
Home Furnishings	— CONFIDENTIAL —	—	8.0%	1.3%
Light Industrial/Printers	87.7	-0.1%	-6.3%	0.2%
Lumber/Building Materials	233.9	7.4%	3.7%	3.3%
New Motor Vehicle Dealers	1,304.1	-0.3%	-0.6%	2.7%
Plumbing/Electrical Supplies	97.3	16.5%	10.4%	7.6%
Quick-Service Restaurants	253.0	13.4%	6.2%	6.6%
Service Stations	355.6	-15.2%	-20.5%	-19.2%
Specialty Stores	— CONFIDENTIAL —	—	-0.6%	2.4%
Trailers/Auto Parts	96.8	4.9%	4.4%	-8.1%
<b>Total All Accounts</b>	<b>5,284.5</b>	<b>-7.0%</b>	<b>0.1%</b>	<b>-0.6%</b>
<b>County &amp; State Pool Allocation</b>	<b>795.1</b>	<b>6.9%</b>	<b>15.1%</b>	<b>15.2%</b>
<b>Gross Receipts</b>	<b>6,079.7</b>	<b>-5.4%</b>	<b>1.9%</b>	<b>1.4%</b>