

# Q3 2018



# City of Martinez Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

## Martinez In Brief

Martinez' receipts from July through September were 12.6% above the third sales period in 2017. Excluding reporting aberrations, actual sales were up 2.9%.

Multi-quarter adjustments to resolve outstanding payments that resulted from the State's software conversion temporarily spiked returns in all business groups and triggered the surge in countywide use tax allocation pool.

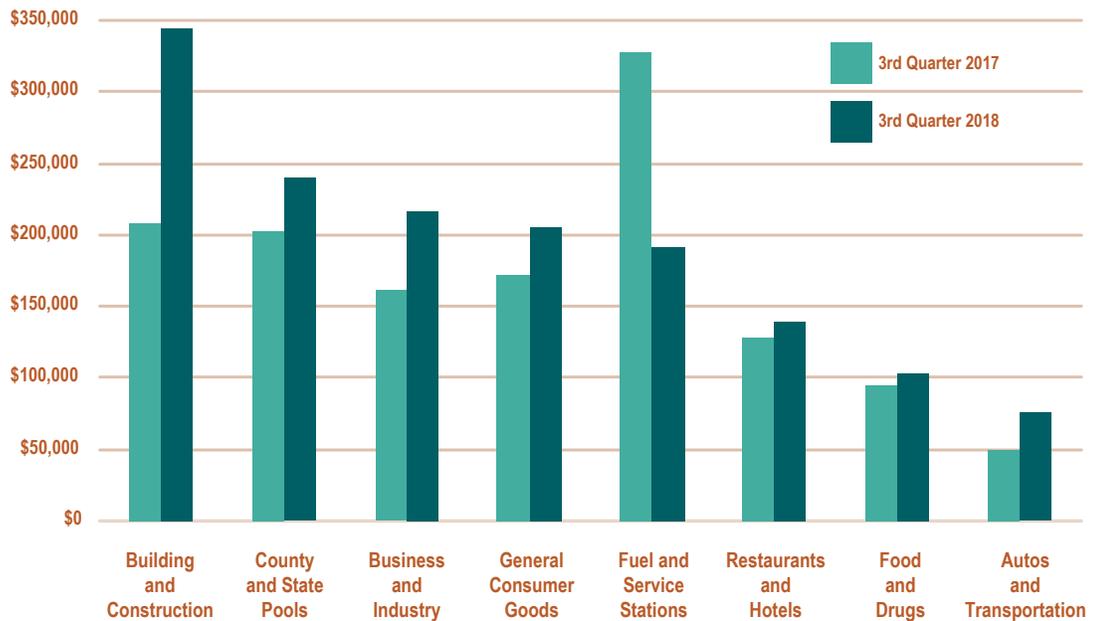
Business to business and building material sales activity were a mixed bag once the deviations were removed each posted less than 1% gain compared to a year ago.

Solid growth in the fuel and service stations were masked by a temporarily missing payment. Meanwhile, the declines in the general consumer goods category were concealed by the double payments.

The Measure D ½ cent transaction tax revenues, which were also inflated by the temporary spike, generated \$1,162,277, once deviations were removed, posting a 3.5% gain compared to a year ago.

Net of aberrations, taxable sales for all of Contra Costa County grew 7.0% over the comparable time period; the Bay Area was up 8.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Home Depot
ABC Supply Co	Les Schwab Tire Center
Abel West Auto Center	Lucky Supermarket
Ace Truckbox Center	McDonalds
Alhambra Chevron	Muir Shell
Build Tek	Nob Hill Foods
California Aquastore	Safeway
Colonial Energy	Shell/Texaco
Copart	Siemens Medical Solutions
Cresco Equipment Rentals	Spartan Energy Tubulars
CVS Pharmacy	Telfer Pavement Technologies
Eco Services Operations	Walmart
Eurecat US	

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$1,143,494	\$1,275,729
County Pool	200,953	239,009
State Pool	925	685
Gross Receipts†	\$1,345,371	\$1,515,422
Cty/Cnty Share	(33,634)	(37,886)
Net Receipts	\$1,311,737	\$1,477,537
Measure D	\$898,005	\$1,162,277

†Includes tax sharing amounts due to others

**California Overall**

The CDTEFA's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

**South Dakota V. Wayfair Decision**

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

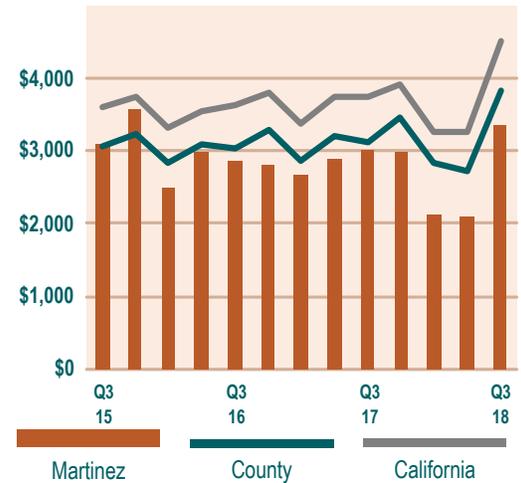
California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

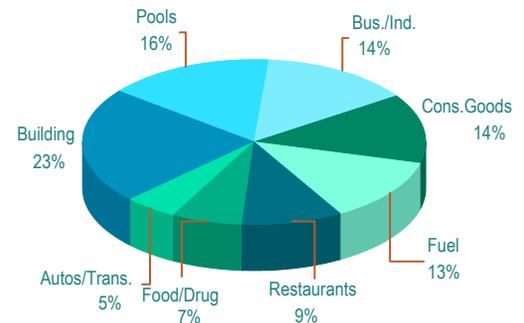
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Martinez This Quarter



**MARTINEZ TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Martinez Q3 '18*	Change	County Change	HdL State Change
Building Materials	274.0	49.7%	39.1%	29.8%
Casual Dining	57.6	11.8%	18.1%	14.8%
Contractors	68.8	184.0%	39.2%	37.6%
Convenience Stores/Liquor	26.6	28.6%	26.1%	20.6%
Discount Dept Stores	—	CONFIDENTIAL	14.2%	18.3%
Drug Stores	—	CONFIDENTIAL	4.8%	2.8%
Drugs/Chemicals	—	CONFIDENTIAL	59.2%	29.6%
Grocery Stores	—	CONFIDENTIAL	16.9%	16.1%
Heavy Industrial	41.0	291.1%	76.2%	30.4%
Light Industrial/Printers	23.7	7.6%	45.2%	29.0%
Medical/Biotech	—	CONFIDENTIAL	35.5%	18.6%
Quick-Service Restaurants	64.1	2.0%	13.8%	13.4%
Repair Shop/Equip. Rentals	—	CONFIDENTIAL	28.1%	36.1%
Service Stations	191.0	39.5%	19.3%	43.1%
Used Automotive Dealers	33.4	176.8%	26.6%	46.9%
<b>Total All Accounts</b>	<b>1,275.7</b>	<b>11.6%</b>	<b>23.0%</b>	<b>21.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>239.7</b>	<b>18.7%</b>	<b>30.9%</b>	<b>27.8%</b>
<b>Gross Receipts</b>	<b>1,515.4</b>	<b>12.6%</b>	<b>24.2%</b>	<b>22.6%</b>
City/County Share	(37.9)	-12.6%		
<b>Net Receipts</b>	<b>1,477.5</b>	<b>12.6%</b>		