

# Q1 2018



# City of Brawley Sales Tax *Update*

*Second Quarter Receipts for First Quarter Sales (January - March 2018)*

## Brawley In Brief

Brawley's receipts from January through March were 9.9% above the first sales period in 2017.

Robust performance in warehouse/farm/construction equipment combined with recent openings in repair shop/equipment rentals and light industrial/printers spiked returns in the business and industry group.

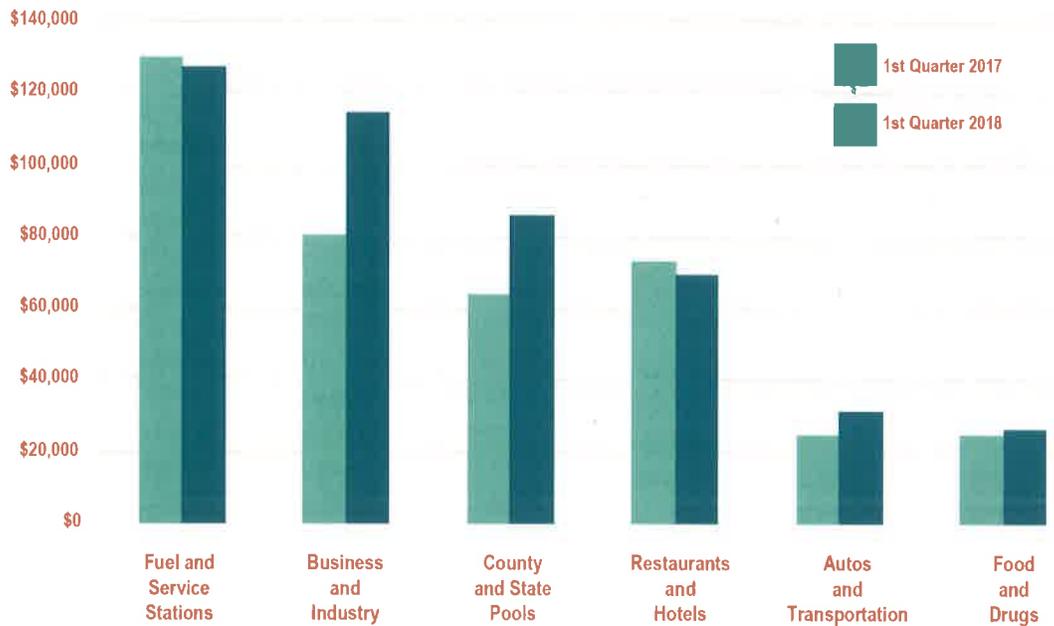
Non-recurring events accounted for the temporary double-digit increase in the countywide use tax allocation pool. A similar occurrence triggered the rise in autos and transportation.

Fuel-related revenues were up 9.3% once deviations were removed. Higher prices at the pump were a major factor.

Delayed allocations due to the state's transition to a new software system depressed results in restaurants and hotels.

Net of aberrations, taxable sales for all Imperial County grew 38.3% over the comparable time period; the Southern California region was up 5.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	McDonalds
AutoZone	McNeece Bros Oil
Brandt	Pacific Ag Rentals
Brawley Petro	Pioneers Memorial Hospital
Brawley Tractor Parts	Prime Fuel & Mini Mart
Circle K 76	RDO Water
Dollar Tree	Rite Aid
Exxon	Shell Station Market
Imperial Hardware	USA Gas
Jack in the Box	Vons
Johnnys Burritos	Walmart Online
Jordan Implement	Walmart Supercenter
Lidco Imperial Valley	

## REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$1,912,254	\$1,939,669
County Pool	271,019	380,551
State Pool	1,463	749
<b>Gross Receipts</b>	<b>\$2,184,737</b>	<b>\$2,320,968</b>

**CDTFA Changes**

The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

**Statewide Results**

Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HdL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

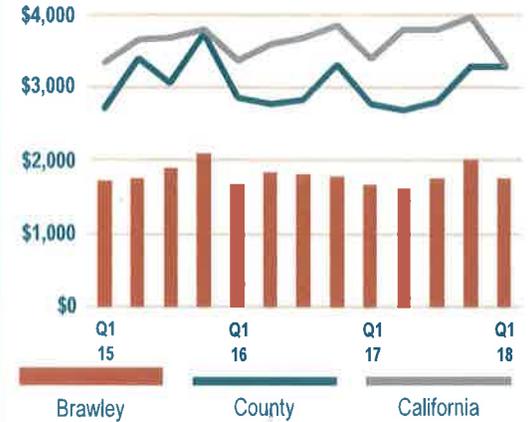
**Supreme Court Ruling**

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by *Quill* is no longer a clear or easily applicable standard, and the online interstate marketplace was not the prevailing issue before the court in 1992.

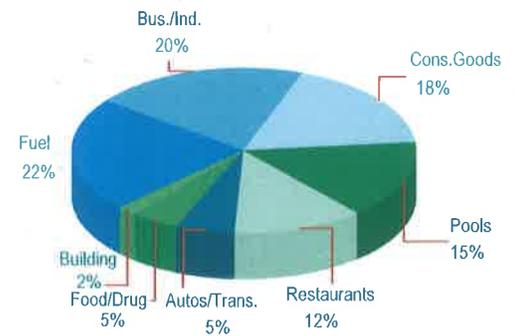
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about \$1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average \$60 per year for each California household, and California businesses average \$171 per year in unpaid use tax liabilities. The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Brawley This Quarter



**BRAWLEY TOP 15 BUSINESS TYPES**

Business Type	Brawley		County	HdL State
	Q1 '18	Change	Change	Change
Auto Repair Shops	6,423	10.7%	-18.9%	-7.5%
Automotive Supply Stores	20,797	-4.7%	2.4%	-4.0%
Building Materials	— CONFIDENTIAL —	—	-1.2%	3.8%
Casual Dining	14,889	-5.2%	-10.9%	-2.0%
Convenience Stores/Liquor	7,788	33.8%	-14.3%	0.6%
Discount Dept Stores	— CONFIDENTIAL —	—	6.3%	2.8%
Drug Stores	— CONFIDENTIAL —	—	-24.4%	-27.9%
Fulfillment Centers	— CONFIDENTIAL —	—	-3.3%	39.4%
Grocery Stores	— CONFIDENTIAL —	—	15.8%	1.9%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	27.2%	3.7%
Quick-Service Restaurants	54,409	-3.1%	-25.2%	-3.8%
Repair Shop/Equip. Rentals	11,345	136.7%	13.7%	-3.8%
Service Stations	82,961	-1.1%	-5.1%	4.6%
Variety Stores	— CONFIDENTIAL —	—	13.1%	-10.7%
Warehse/Farm/Const. Equip.	81,368	47.9%	16.5%	-0.4%
<b>Total All Accounts</b>	<b>481,516</b>	<b>6.4%</b>	<b>19.9%</b>	<b>-1.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>86,221</b>	<b>34.3%</b>	<b>51.3%</b>	<b>-2.1%</b>
<b>Gross Receipts</b>	<b>567,737</b>	<b>9.9%</b>	<b>23.8%</b>	<b>-1.8%</b>