

# Q2 2019



# City of Brawley Sales Tax *Update*

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

## Brawley In Brief

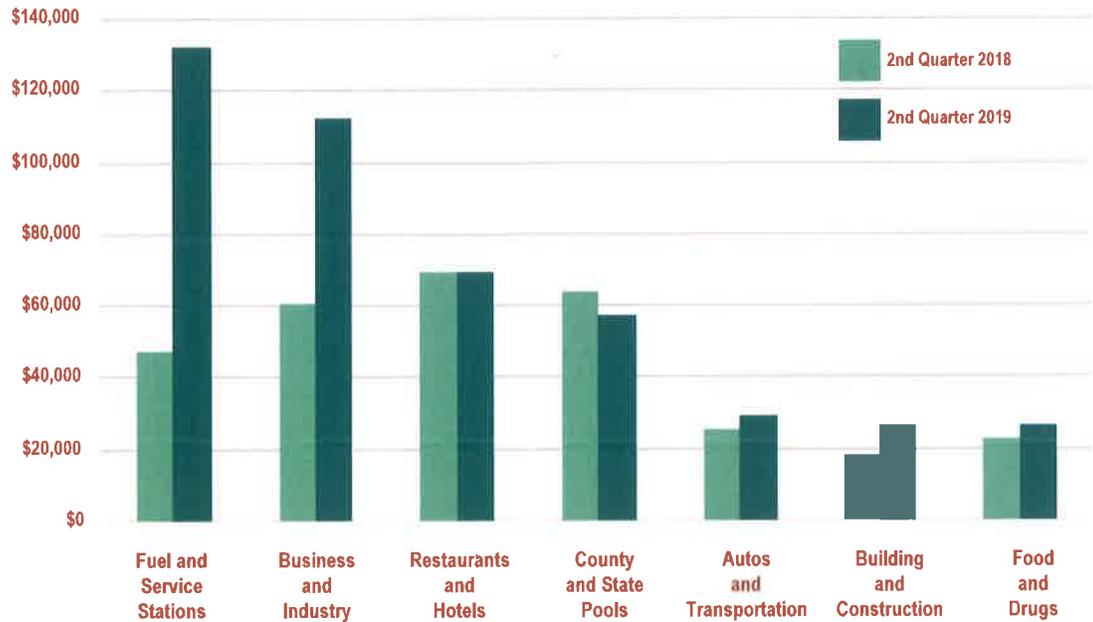
Brawley's receipts from April through June were 44.5% above the second sales period in 2018. This comparison was inflated, however, due to CDTFAs transition to a new reporting system in the prior year that temporarily delayed distributions to the City. Adjusted for proper payment timing results were still up 15.5%, significantly exceeding the State and regional trend.

The primary force behind this improvement was the recent addition of a new fueling outlet in town. Furthermore, repair shop sales also spiked.

Tax revenue from the countywide use tax pool was also strong on an adjusted basis, bolstered by implementation of California's new legislation that has established a lower threshold for requiring the collection of use taxes by out-of-state retailers. The City also received a larger share of this revenue in the second quarter as it is allocated among county agencies based on relative cash performance.

Net of aberrations, taxable receipts for all of Imperial County declined 0.7% over the comparable time period; the Southern California region was up 2.7%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Johnnys Burritos
AutoZone	Jordan Implement
Brawley Tractor Parts	Lidco Imperial Valley
Circle K	McDonalds
Circle K 76	Pacific Ag Rentals
Daniels Tire Service	Pilot Travel Center
Dollar Tree	Prime Fuel & Mini Mart
Elms Equipment Rental	RDO Water
Fillco 1	Shell
HD Supply Waterworks	T Mobile
Imperial Hardware	USA Gasoline
Jack in the Box	Vons
	Walmart Supercenter

### REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$1,826,634	\$2,280,835
County Pool	365,617	339,751
State Pool	1,114	1,152
<b>Gross Receipts</b>	<b>\$2,193,365</b>	<b>\$2,621,738</b>

**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 of 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-

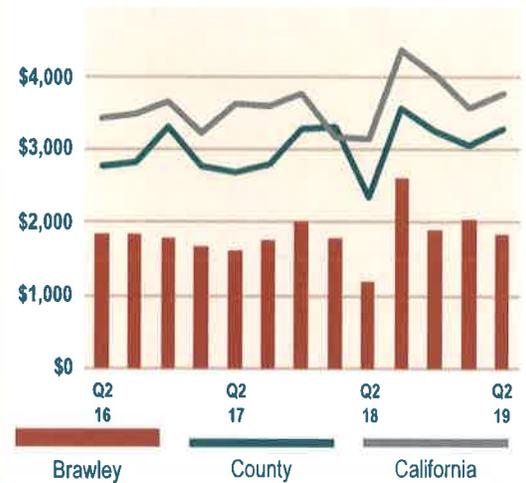
turns and exchanges.

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.

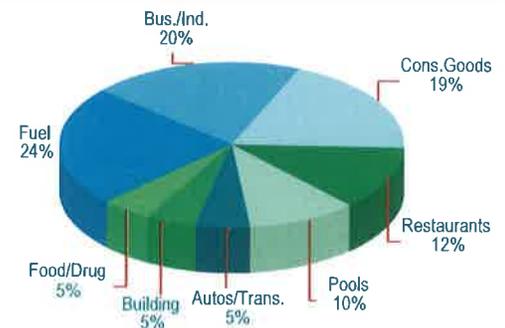
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state's sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped 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**  
Brawley This Quarter



**BRAWLEY TOP 15 BUSINESS TYPES**

Business Type	Brawley		County	HdL State
	Q2 '19	Change	Change	Change
Auto Repair Shops	6,818	-3.2%	40.9%	21.5%
Automotive Supply Stores	21,403	22.5%	33.9%	16.4%
Building Materials	— CONFIDENTIAL —		91.0%	34.1%
Casual Dining	13,833	-14.7%	19.4%	24.5%
Convenience Stores/Liquor	8,873	31.7%	-13.0%	14.9%
Discount Dept Stores	— CONFIDENTIAL —		34.3%	26.3%
Electronics/Appliance Stores	7,861	19.0%	15.7%	7.0%
Garden/Agricultural Supplies	— CONFIDENTIAL —		47.6%	22.0%
Grocery Stores	— CONFIDENTIAL —		-0.6%	9.6%
Plumbing/Electrical Supplies	— CONFIDENTIAL —		104.0%	28.9%
Quick-Service Restaurants	55,672	5.0%	-5.1%	15.9%
Repair Shop/Equip. Rentals	21,272	95.4%	-4.4%	29.3%
Service Stations	142,880	223.1%	76.9%	51.4%
Variety Stores	— CONFIDENTIAL —		9.5%	10.2%
Warehse/Farm/Const. Equip.	— CONFIDENTIAL —		522.5%	47.7%
<b>Total All Accounts</b>	<b>504,852</b>	<b>55.4%</b>	<b>39.9%</b>	<b>20.1%</b>
<b>County &amp; State Pool Allocation</b>	<b>57,088</b>	<b>-10.7%</b>	<b>-19.2%</b>	<b>22.4%</b>
<b>Gross Receipts</b>	<b>561,941</b>	<b>44.5%</b>	<b>30.3%</b>	<b>20.4%</b>