

# Q3 2018



# City of Buellton Sales Tax *Update*

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

## Buellton In Brief

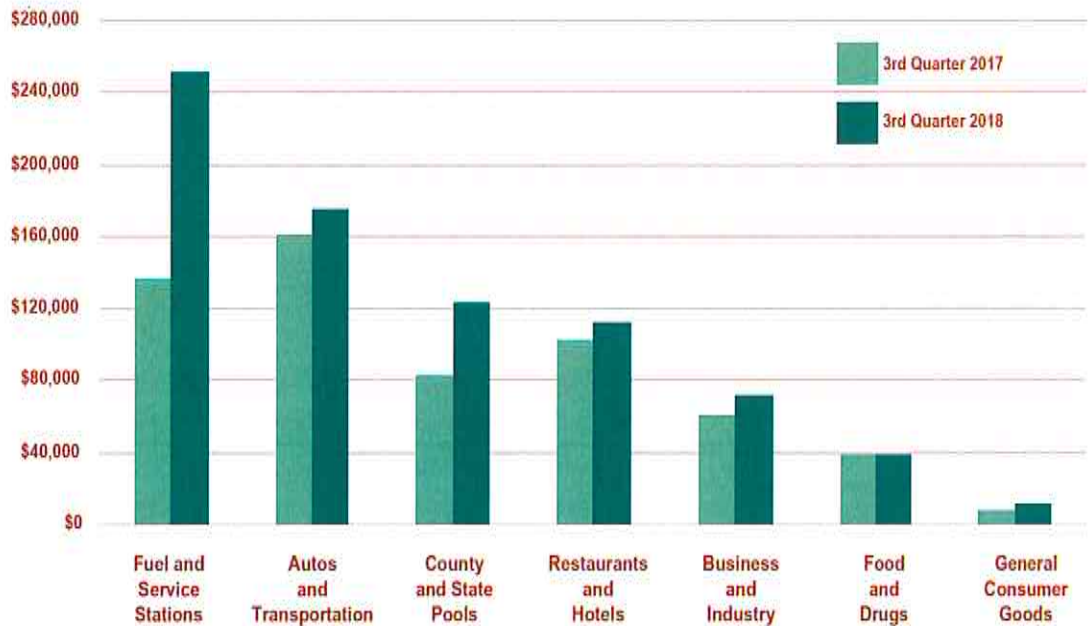
**B**uellton's allocation of sales and use tax from it's from July through September sales was 35.7% higher than the third quarter of 2017. However, the allocation was inflated by late back payments and a series of reporting errors related to state problems with its new computer system that will be reversed in future quarters. Actual receipts for were up 6.0% after these and other aberrations are factored out.

**H**igher fuel prices and a solid quarter for sales within the auto-transportation group were primarily responsible for the actual increase. The rise in the City's share of the county pool was similarly inflated by back payments and misallocation errors.

**R**eceipts from industrial, business and food-drug sales were flat or slightly down.

**A**adjusted for state issues and other aberrations, sales and use tax receipts for all of Santa Barbara County rose 6.1% over the comparable time period while the Central Coast region as a whole, was up 3.3%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

A & A Pump & Well Service	Jim Vreeland Ford
Airstream of Santa Barbara by Sky River	McDonalds
Albertsons	Platinum Performance
Andersons Pea Soup	Platinum Performance Vet
Buellton Shell	Rio Vista Chevrolet
Buelton Mobil	Taproom & Barrelworks
Chevron	The Hitching Post II
Conserv Fuel	Todd Pipe & Supply
CVS Pharmacy	Toms Gas & Market
Eagle Energy	USA Station
Farm Supply	Wild Wood Door Factory
Habit Burger Grill	Wonderful Wine Co
Industrial Eats	

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$523,841	\$699,868
County Pool	82,137	122,854
State Pool	417	372
<b>Gross Receipts</b>	<b>\$606,395</b>	<b>\$823,094</b>

**California Overall**

The CDTFAs 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.

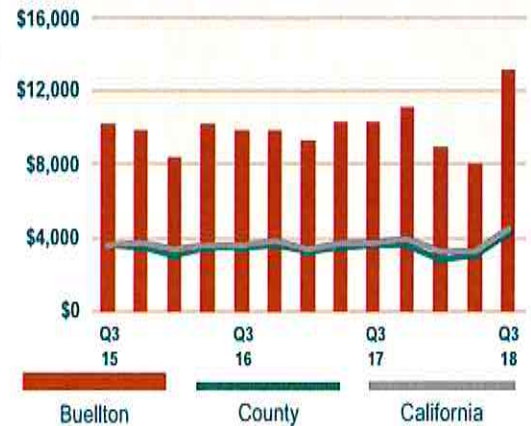
California will begin enforcing the Wayfair reversal effective April 1, 2019

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**



**COUNTY OVERALL 3Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	10.8%	3.9%
Building and Construction	33.4%	10.8%
Business and Industry	18.5%	-3.9%
Food and Drugs	2.4%	-2.1%
Fuel and Service Stations	40.3%	13.2%
General Consumer Goods	20.1%	4.6%
Restaurants and Hotels	14.4%	0.2%
County and State Pools	33.1%	23.7%
<b>Total</b>	<b>21.0%</b>	<b>6.1%</b>

\*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP**  
Buellton This Quarter

