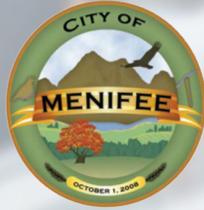


# Q2 2012



# City of Menifee Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2012)

## Menifee In Brief

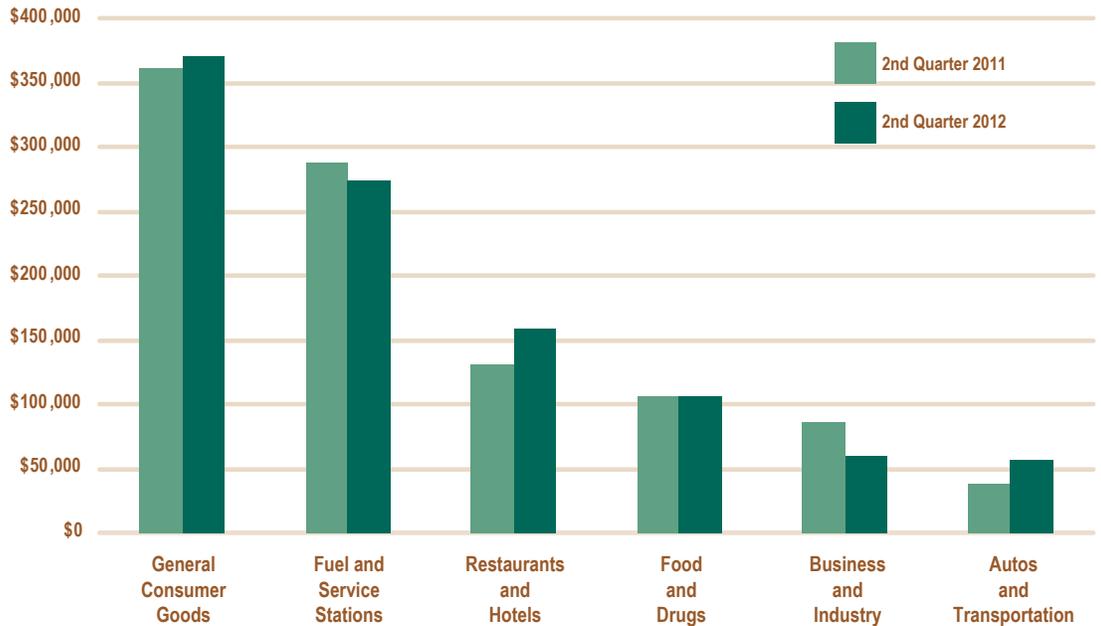
Receipts from second quarter sales were 9.6% above the comparable period one year ago but temporary payment aberrations skewed the data. With anomalies factored out, actual sales increased 8.9%.

The autos and transportation group benefited from temporary "tent" sales held at Mt. San Jacinto Junior College. New business additions contributed to restaurants and hotels increases. The city's allocation from the countywide use tax pool jumped 25.8% but a misallocated payment temporarily inflated pool amounts available for distribution.

A retroactive payment adjustment that inflated receipts a year ago caused the drop in the business and industry category. Net of that adjustment, sales were little-changed. A variety of business types in the general consumer goods group showed moderate gains.

With accounting adjustments factored out, all of Riverside County was up 9.2%; statewide sales grew 7.5%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS In Alphabetical Order

Ahern Rentals	Menifee Shell
Apro	Mt. San Jacinto Junior College
Arco AM PM	Ralphs
Best Buy	Richardsons Auto & RV Sales
Chevron	Rite Aid
Circle K	Ross
Euramax International	Stater Bros
Kohls	Sun City Chevron
Living Spaces Furniture	Target
Lowe's	Texas Roadhouse
McDonalds	TJ Maxx
Menifee Car Wash	Walgreens
Menifee Mart	

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$1,121,170	\$1,208,327
County Pool	114,197	143,638
State Pool	(656)	1,213
<b>Gross Receipts</b>	<b>\$1,234,711</b>	<b>\$1,353,177</b>
<b>Less Triple Flip*</b>	<b>\$(308,678)</b>	<b>\$(338,294)</b>

\*Reimbursed from county compensation fund

**Statewide Results**

Net of payment aberrations, second quarter retail sales were 7.5% higher than the same period one year earlier.

Purchases of new automobiles, spurred by low interest rates, easy credit and manufacturers' incentives, outpaced first quarter growth and generated 22% of the total increase. Business-to-business sales reflected strength in a number of sectors, notably heavy industrial, business services and equipment for energy related projects. Restaurant and hotel receipts grew by 8.6%, outpacing all other industry groups except autos and transportation. Family apparel sales were strong but weak electronics/appliances returns and lackluster results from department stores and big box discounters held general consumer group gains to a modest 3.9%. Flattening fuel prices and ongoing weakness in lumber and building materials sales also restrained overall results.

**Outlook for the Year**

The momentum for the recovery is slowing and has recently prompted another round of "quantitative easing" by the Federal Reserve Board in an effort to reinvigorate the housing market and spur business investment by keeping interest rates low. Retail growth in California, which fell further than the nation as a whole during the "Great Recession," may outpace the nation going forward but stubborn unemployment, nearly static income levels, and cautious business spending will keep overall sales at moderate levels at least through 2014-15.

**Sales Tax from On-line Retailers**

AB 155, which was passed last year as a compromise with Amazon.com went into effect on September 15. While the bill expanded the state's ability to require the collection of tax

on out-of-state sales, local agencies expecting immediate revenue gains will be disappointed.

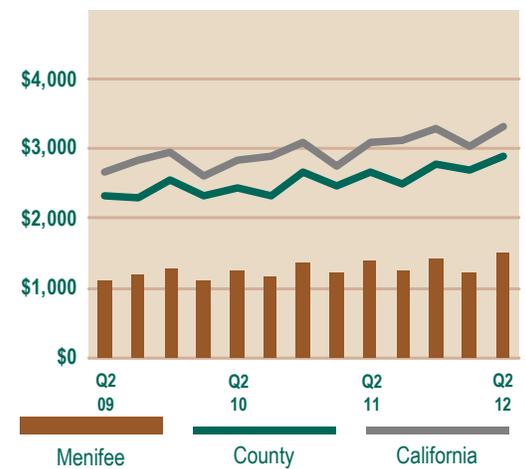
Federal case law continues to provide that remote sellers without nexus in a state are not required to collect that state's sales tax. Amazon agreed not to contest AB 155's definition of nexus which includes remote sellers who have annual sales in California of one million dollars or more and who have an in-state affiliate that provides services in connection with the remote seller's sales if those connected sales exceed \$10,000 per year.

The Board of Equalization's initial estimate was that the legislative change would raise approximately \$38.2 million in one-cent local revenues. However since then, Amazon which was a significant portion of the estimate has decided to build distribution facilities in California which will divert the revenues to the hosting jurisdictions. Other remote sellers, such as Overstock.com, have announced that

they will simply drop their in-state affiliates to avoid collecting the tax.

The Board of Equalization expects to add up to 100 staff positions over the next three years to enforce the new provisions. However, at least initially, local governments should not expect annual revenues of more than \$0.25 per capita and the ultimate solution continues to be federal legislation that eliminates the nexus prohibition and levels the playing field for all retailers.

**SALES PER CAPITA**



**MENIFEE TOP 15 BUSINESS TYPES**

Business Type	Menifee		County	HdL State
	Q2 '12*	Change	Change	Change
Contractors	40.1	-11.7%	0.9%	11.6%
Department Stores	— CONFIDENTIAL —		1.4%	1.3%
Discount Dept Stores	— CONFIDENTIAL —		2.6%	3.7%
Drug Stores	29.2	-0.2%	5.7%	3.5%
Electronics/Appliance Stores	61.0	-13.0%	-8.4%	-2.5%
Family Apparel	63.5	5.9%	13.1%	8.8%
Grocery Stores Liquor	62.9	1.6%	2.1%	4.2%
Home Furnishings	— CONFIDENTIAL —		2.9%	7.1%
Lumber/Building Materials	— CONFIDENTIAL —		33.6%	20.5%
Repair Shop/Hand Tool Rentals	20.7	27.7%	-18.9%	11.0%
Restaurants Liquor	41.6	56.5%	11.0%	11.2%
Restaurants No Alcohol	97.7	11.7%	6.9%	8.1%
Service Stations	271.7	-5.1%	3.0%	2.3%
Specialty Stores	23.4	13.2%	2.3%	2.3%
Trailers/RVs	— CONFIDENTIAL —		-5.0%	9.4%
<b>Total All Accounts</b>	<b>\$1,208.3</b>	<b>7.8%</b>	<b>8.5%</b>	<b>6.7%</b>
<b>County &amp; State Pool Allocation</b>	<b>144.9</b>	<b>27.6%</b>		
<b>Gross Receipts</b>	<b>\$1,353.2</b>	<b>9.6%</b>		<i>*In thousands</i>