

# Q2 2015



# City of Menifee Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2015)

## Menifee In Brief

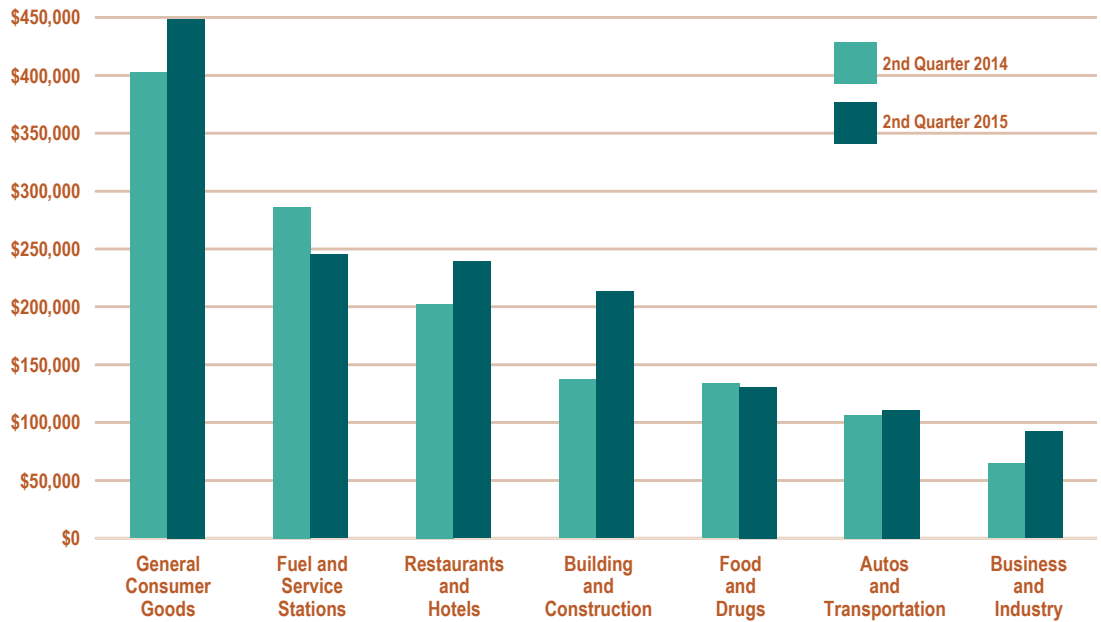
Menifee's receipts from April through June sales were 11.5% higher than the same quarter one year ago.

Solid gains in the building and construction sector were inflated by a year-ago reporting problem that was subsequently corrected via the city's on-going point of sale audit program. A second audit recovery exaggerated the impact of a recent addition on the business and industry group. New outlets helped specialty stores and both quick service and casual dining eateries although adjustments overstated comparisons for the latter category.

Lower fuel prices cut receipts from service stations while accounting events depressed results from the food and drugs group.

Net of aberrations, taxable sales for all of Riverside County increased 2.3% over the same period; Southern California regional totals were 3.2% higher.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Menifee Car Wash
Arco AM PM	Ralphs
Best Buy	Richardsons Auto & RV Sales
Chevron	Ross
Circle K	Stater Bros
Euramax	Sun City Chevron
Exxon	Target
Grove Lumber & Building Supplies	Tesoro Refining & Marketing
Imperial Sprinkler Supply	Texas Roadhouse
Kohls	TJ Maxx
Living Spaces Furniture	United Oil
Lowes	Verizon Wireless
	Walgreens

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$1,333,713	\$1,479,825
County Pool	143,324	167,359
State Pool	1,004	1,227
<b>Gross Receipts</b>	<b>\$1,478,041</b>	<b>\$1,648,411</b>
Less Triple Flip*	\$(369,510)	\$(412,103)

\*Reimbursed from county compensation fund

NOTES

**Statewide Sales Tax Trends**

Excluding accounting aberrations, the local one cent share of statewide sales occurring April through June was 3.4% higher than the comparable quarter of 2014.

Receipts from the countywide use tax allocation pools accounted for the largest portion of the increase reflecting a continuing shift in consumer preferences from brick and mortar stores to online shopping for merchandise shipped from out of state.

Sales and leases of new cars continued to post impressive gains as did contractor supplies and restaurants. Overall gains were offset by a 17.1% decline in receipts from service stations and petroleum related industries.

**The Remaining Fiscal Year**

The state's unemployment rate continues to decline and real disposable income is expected to grow 2.5% to 3.0% in the second half of 2015. This improvement in incomes coupled with easy credit conditions should stimulate an increase in housing starts as well as capital investment in equipment, alternate energy and technology.

The auto industry is anticipating continuing strong sales until tapering to more sustainable levels in 2016-2017. Building and construction, the only retail segment yet to return to pre-recession levels, is gaining momentum in several regions and is expected to account for 10% of sales tax growth in the second half of the fiscal year.

Restaurant sales continue to rise although there are some concerns that the strong dollar may impact sales in areas that cater to tourists from abroad. Gains from consumer goods are expected to be modest with the strong dollar cutting prices of imported goods and an ongoing shift in consumer spending from tangible goods to services, entertainment and other non-taxable purchases.

Gasoline prices remain well below the previous year due to a worldwide glut

of oil. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the first half of 2015-16 but begin rebounding in the second half.

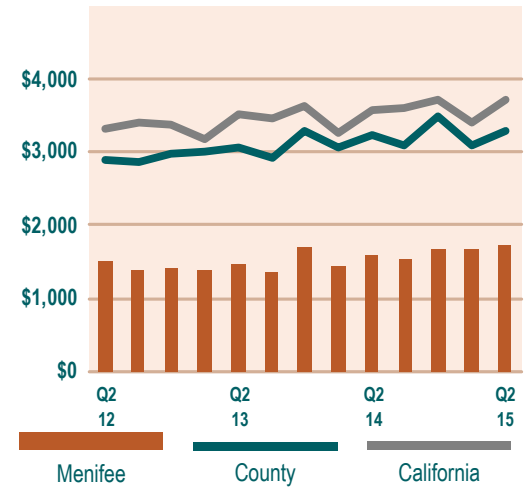
**Internet Sales Tax Proposal**

HR 2775 (The Remote Transaction Parity Act) is a new proposal by Representative Jason Chaffetz (R-Utah) authorizing states to require remote sellers without physical presence in their state to collect state and local sales tax from in-state buyers.

The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under \$5 million, and requires states to provide software to enable remote sellers to collect and remit their tax.

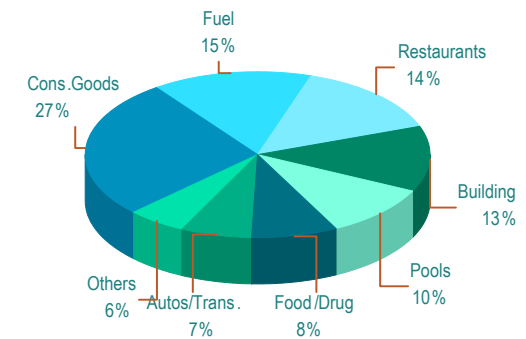
The Board of Equalization estimates that local governments in California currently lose approximately \$44 per capita in uncollected sales and use tax on e-commerce purchases.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

Menifee This Quarter



**MENIFEE TOP 15 BUSINESS TYPES**

Business Type	<i>*In thousands of dollars</i>			
	Menifee Q2 '15*	Menifee Change	County Change	HdL State Change
Casual Dining	103.3	22.5%	11.7%	6.5%
Contractors	— CONFIDENTIAL —	—	13.2%	8.5%
Department Stores	— CONFIDENTIAL —	—	-1.1%	-2.1%
Discount Dept Stores	— CONFIDENTIAL —	—	-1.2%	0.0%
Drug Stores	36.0	-11.2%	-11.2%	-8.0%
Electronics/Appliance Stores	73.6	24.4%	1.8%	-1.6%
Family Apparel	60.4	8.5%	6.6%	2.9%
Garden/Agricultural Supplies	— CONFIDENTIAL —	—	3.9%	7.7%
Grocery Stores Liquor	— CONFIDENTIAL —	—	7.3%	3.4%
Home Furnishings	— CONFIDENTIAL —	—	6.9%	7.4%
Lumber/Building Materials	— CONFIDENTIAL —	—	5.6%	4.5%
Quick-Service Restaurants	111.3	15.5%	11.9%	9.1%
Service Stations	244.3	-14.3%	-10.0%	-11.7%
Specialty Stores	42.0	43.3%	-6.3%	5.4%
Trailers/RVs	— CONFIDENTIAL —	—	22.4%	19.1%
<b>Total All Accounts</b>	<b>1,479.8</b>	<b>11.0%</b>	<b>3.0%</b>	<b>2.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>168.6</b>	<b>16.8%</b>	<b>8.4%</b>	<b>11.8%</b>
<b>Gross Receipts</b>	<b>1,648.4</b>	<b>11.5%</b>	<b>3.5%</b>	<b>3.8%</b>