

# Q3 2011



# City of Menifee Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2011)

## Menifee In Brief

Receipts from third quarter sales were 12.7% above the same sales period one year earlier.

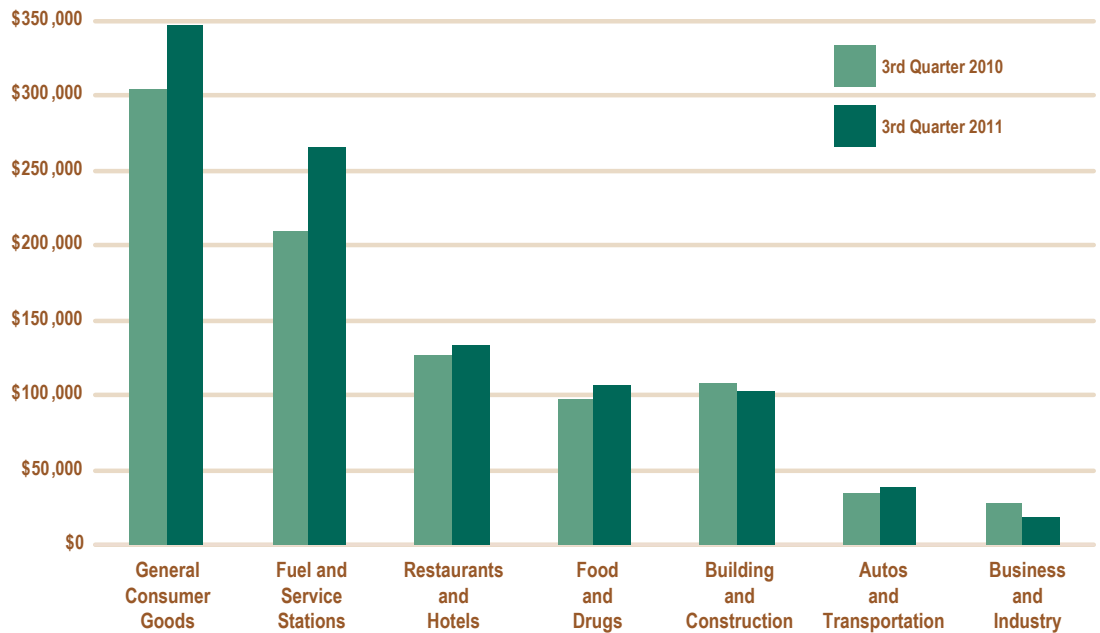
Increases were mainly from the fuel and service station and general consumer goods groups though autos and transportation, food and drugs and restaurant and hotel categories also showed gains. Service station results tracked higher prices at the pump but also benefited from a new business addition. New store openings also added to general consumer and restaurant proceeds. The food and drugs category was up despite the loss of Albertsons.

A temporary payment aberration inflated the city's allocation from the countywide use tax pool, up 27.8% or \$24,065 from the prior year amount.

The drop in the business and industry group was due to a negative accounting adjustment to correct an allocation error in the preceding quarter. A combination of payment aberrations and business closeouts cut building and construction results.

Excluding onetime accounting adjustments, all of Riverside County was up 9.5%; statewide sales grew 8.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

In Alphabetical Order

Ahern Rentals	Ralphs
Amerimax Building Products	Red Robin
Apro	Richardsons Auto & RV Sales
Arco AM PM	Rite Aid
Best Buy	Ross
Chevron	Sport Chalet
Circle K	Stater Bros
Kohls	Sun City Chevron
Living Spaces Furniture	Target
Lowe's	Tillys
Menifee Car Wash	TJ Maxx
Menifee Mart	Walgreens
Menifee Shell	

## REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$1,868,851	\$2,134,510
County Pool	185,802	224,768
State Pool	1,303	182
<b>Gross Receipts</b>	<b>\$2,055,956</b>	<b>\$2,359,460</b>
<b>Less Triple Flip*</b>	<b>\$(513,989)</b>	<b>\$(589,865)</b>

\*Reimbursed from county compensation fund

**California Overall**

Adjusted for accounting aberrations, statewide local sales and use tax revenues for July through September transactions increased 8.6% over last year's comparison quarter. This is the seventh consecutive quarterly gain since the beginning of the recovery.

All categories were up with receipts from higher fuel prices accounting for much of the statewide increase. Sales of new autos, consumer goods and quick and full service restaurants also exhibited solid growth.

**The Foggy Crystal Ball**

Although 2011-12 is shaping up to be a period of strong sales tax recovery, most analysts believe that the pace of growth will slow in 2012-13 with the only disagreement being over the degree of slowdown.

Additional state budget cuts, continued high unemployment, further declines in home values and unstable fuel prices are part of the uncertainty. The financial turmoil in Europe is also of concern.

Manufacturers, growers, distributors, transporters and other companies involved in export trade make up 25% of the state's gross product. The European crisis has the potential of slowing the demand for both U.S. and Asian goods which would also pare the growth of California's Asian markets. Comparative strengthening of the U.S. dollar would also make exports more expensive.

Analysts worry about the resulting impact on Silicon Valley's technology industries, the Central Valley's agricultural exports and Southern California's transportation sector.

**Sales Tax and the Internet**

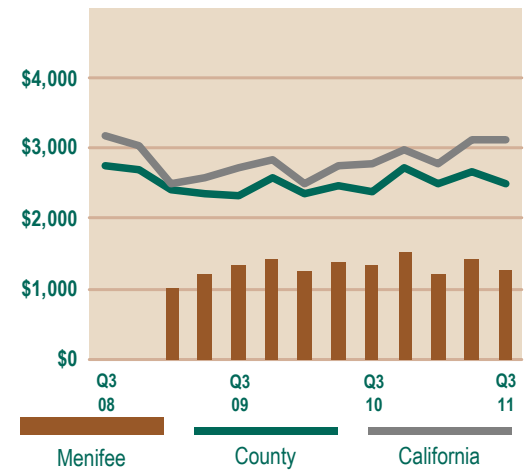
In 1992, the Supreme Court ruled that interstate commerce rules preclude states from requiring sellers without an in-state physical presence to collect local taxes. Since that time, attempts to interest Congress in correcting the problem have been unsuccessful.

With internet sellers becoming a major retail competitive force and more states adopting legislation expanding the definition of what constitutes "physical presence," the need for fairness and uniformity is softening opposition. This year, three competing bills were introduced in Congress that would allow the collection of local taxes. These are: S.1452, H.R. 3179 and S. 1832.

Given the general discord and paralysis in Congress, there is some question of whether any of these will pass. However, a compromise agreement between the State of California and Amazon has resulted

in legislation (AB 155) that requires in-state affiliates of remote sellers to begin collecting and remitting sales and use tax by September 15, 2012. Estimates on the amount of new revenues that will be generated have been difficult to develop but local agencies should not expect gains of more than \$1 per capita. More on the congressional legislation can be found in HdL's December issues paper.

**SALES PER CAPITA**



**MENIFEE TOP 15 BUSINESS TYPES**

Business Type	Menifee		County	HdL State
	Q3 '11*	Change	Change	Change
Automotive Supply Stores	14.0	-2.9%	9.4%	12.3%
Contractors	41.5	-13.4%	13.9%	8.7%
Discount Dept Stores	— CONFIDENTIAL —	—	5.5%	3.1%
Drug Stores	28.4	8.9%	10.7%	6.2%
Electronics/Appliance Stores	58.4	1.0%	-3.0%	-9.1%
Family Apparel	95.3	3.2%	7.9%	7.9%
Grocery Stores Liquor	63.3	9.4%	10.4%	10.7%
Home Furnishings	— CONFIDENTIAL —	—	2.4%	7.4%
Lumber/Building Materials	— CONFIDENTIAL —	—	5.1%	4.1%
Repair Shop/Hand Tool Rentals	19.0	103.1%	17.1%	9.2%
Restaurants Liquor	26.3	-5.1%	7.5%	10.8%
Restaurants No Alcohol	90.4	8.7%	7.7%	7.1%
Service Stations	264.0	26.5%	26.2%	20.5%
Specialty Stores	21.1	18.7%	24.1%	7.9%
Trailers/RVs	20.8	29.6%	9.3%	5.8%
<b>Total All Accounts</b>	<b>\$1,013.3</b>	<b>11.3%</b>	<b>8.8%</b>	<b>9.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>111.4</b>	<b>27.6%</b>		
<b>Gross Receipts</b>	<b>\$1,124.7</b>	<b>12.7%</b>		<i>*In thousands</i>