

Q1 2018



City of Riverside Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2018)

Riverside In Brief

Riverside's receipts from January through March were 3.3% below the first sales period in 2017. However, due to CDTFA's transition to a new reporting system, multiple transactions were not processed in the current period but are anticipated to be received next quarter. Including these allocations and other reporting aberrations, actual sales were up 5.7%

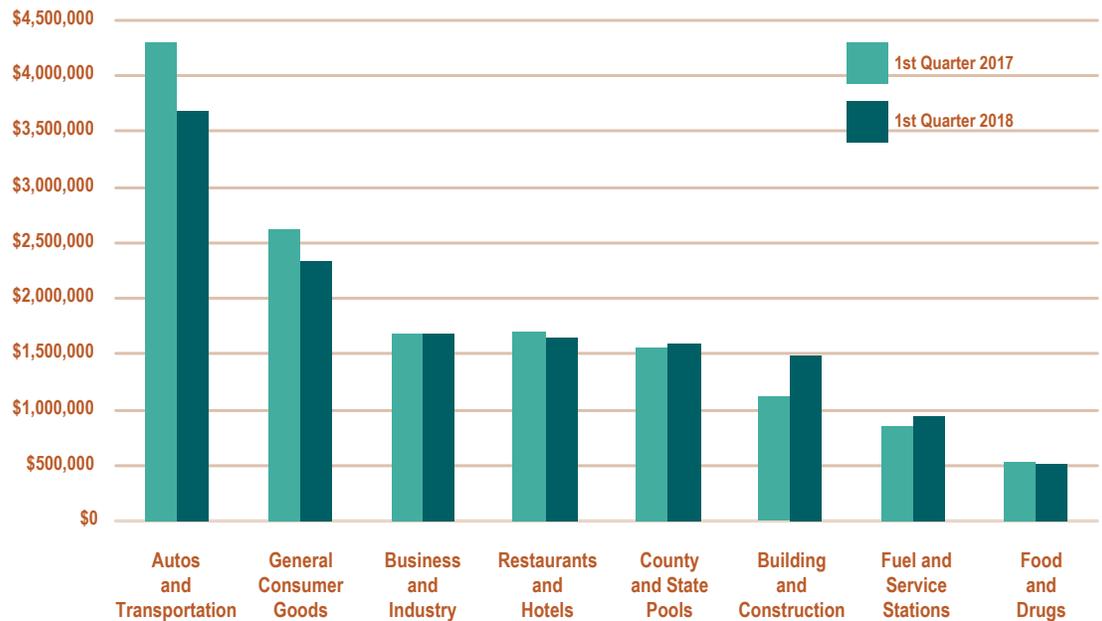
Once adjusted, new contractor suppliers and the current stable housing market produced dramatic growth from building-construction, while a reporting error temporarily exaggerated business-industrial results.

Steady price increases at the pump, mostly due to the global cost of crude oil and implementation of SB-1 locally, pushed service stations higher. Greater variety and creative new dining concepts continued to improve interest in eating out therefore positively impacting quick-service restaurant receipts.

The City's voter approved one-cent transaction tax, Measure Z, generated an additional \$12,332,610, but receipts were also temporarily impacted by CDTFA software changes.

Net of aberrations, taxable sales for all of Riverside County grew 7.9% over the comparable time period; the Southern California region was up 5.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Best Buy	Raceway Ford
Carmax	Riverside Chevrolet
Champion Lumber	Riverside Honda
Chevron	Riverside Mazda
Consolidated Electrical Distributors	Riverside Nissan
Dutton Cadillac, Buick, GMC	Ross
Fritts Ford	Sams Club w/ Fuel
Home Depot	Standard Textile Co
Kme Fire Apparatus	Stater Bros
Lexus of Riverside	Target
Main Electric Supply	Toyota of Riverside
Moss Bros Chrysler Dodge Jeep Fiat	Walmart Supercenter
	Walters Porsche/Audi/Mercedes Benz

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$41,731,194	\$40,880,139
County Pool	5,260,758	5,200,294
State Pool	37,438	25,476
Gross Receipts	\$47,029,390	\$46,105,909
Measure Z	\$14,881	\$41,116,466

CDTFA Changes

The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

Statewide Results

Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HdL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

Supreme Court Ruling

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by *Quill* is no longer a clear or easily applicable standard, and the on-line interstate marketplace was not the prevailing issue before the court in 1992.

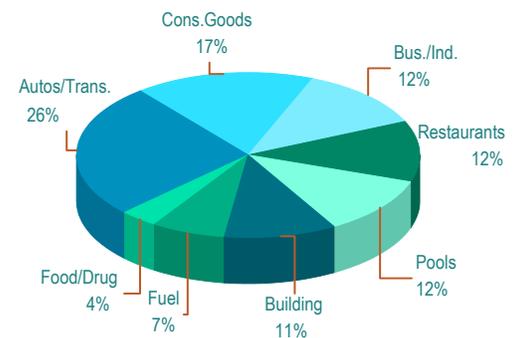
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about \$1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average \$60 per year for each California household, and California businesses average \$171 per year in unpaid use tax liabilities. The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Riverside This Quarter



RIVERSIDE TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Riverside Q1 '18*	Riverside Change	County Change	HdL State Change
Automotive Supply Stores	198.8	-2.3%	-2.8%	-4.1%
Building Materials	747.8	49.9%	13.6%	3.8%
Casual Dining	604.6	-7.5%	-4.7%	-2.0%
Contractors	205.9	38.7%	14.7%	21.6%
Discount Dept Stores	676.5	-2.9%	1.3%	2.8%
Electrical Equipment	— CONFIDENTIAL —		23.3%	2.0%
Electronics/Appliance Stores	314.0	-5.5%	-4.9%	1.1%
Family Apparel	273.6	7.4%	10.1%	8.4%
Grocery Stores	307.3	22.1%	14.4%	1.9%
New Motor Vehicle Dealers	2,591.9	-5.4%	-1.3%	-0.2%
Plumbing/Electrical Supplies	477.7	18.5%	1.5%	11.5%
Quick-Service Restaurants	761.8	0.9%	-1.9%	-3.8%
Service Stations	922.2	9.0%	1.4%	4.6%
Specialty Stores	212.1	-17.9%	-9.6%	-10.1%
Used Automotive Dealers	440.6	3.3%	5.8%	-4.4%
Total All Accounts	12,293.2	-4.0%	1.1%	-1.8%
County & State Pool Allocation	1,600.9	2.3%	7.8%	-2.1%
Gross Receipts	13,894.1	-3.3%	1.8%	-1.8%