



# City of Banning Sales Tax *Update*

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

## Banning In Brief

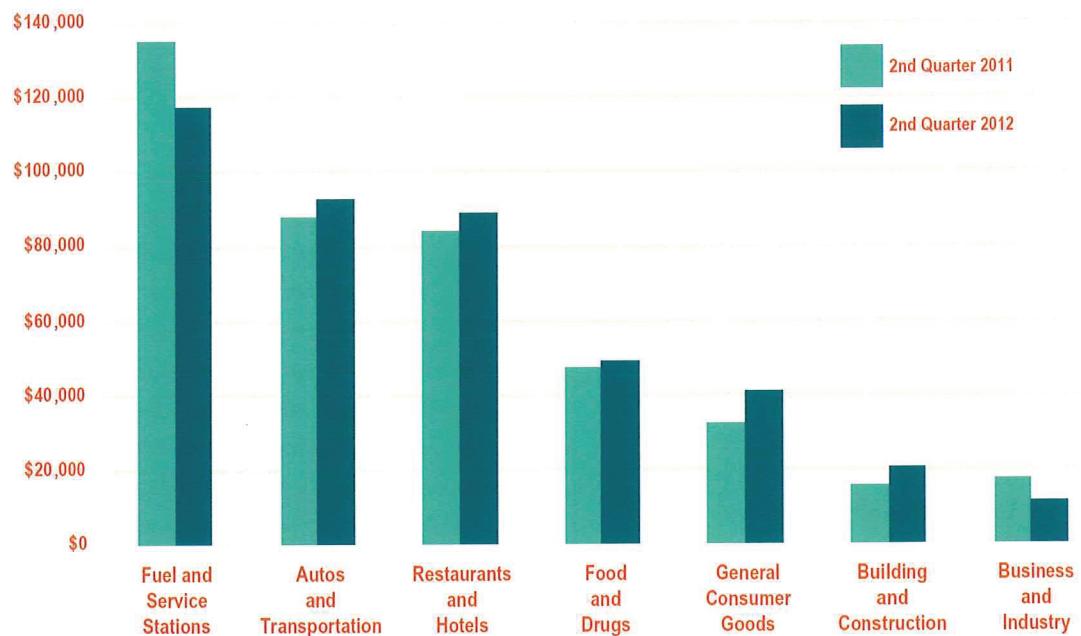
Receipts from Banning's April through June sales were 1.8% higher than the same quarter one year ago. Actual sales activity increased 5.2% after accounting aberrations were factored out.

Improved sales and a onetime accounting adjustment boosted returns from the general consumer group while all restaurant sectors experienced brisk sales. A larger allocation from the countywide use tax pool further contributed to the increase.

The gains were partially offset by a decrease in gasoline usage coupled with accounting adjustments that inflated year-ago returns exaggerating the drop in service station receipts. Despite a new business addition, the business & industry group declined due to year-ago anomalies that negatively impacted current quarter returns.

Adjusted for aberrations, taxable sales for all of Riverside County increased 9.2% over the comparable time period, while the Southern California region as a whole was up 7.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS In Alphabetical Order

22nd Shell	G & M Oil Arco
Albertsons	Highland Springs
Arco AM PM	Mobil
Auto Source	Jack in the Box
Auto Zone	Kmart
Banning Shell	McDonalds
Big Lots	Rite Aid
Carls Jr	Sizzler
Cigarette Shop Plus	Smart & Final
Cruz Tire & Truck Repair	Snack Attack
Del Taco	Chevron
Diamond Hills Auto Group	Sun Lakes Country Club
Farmhouse Restaurant	Walgreens
	Wausau Tile

## REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$420,233	\$420,884
County Pool	42,803	50,032
State Pool	(246)	422
<b>Gross Receipts</b>	<b>\$462,790</b>	<b>\$471,338</b>
<b>Less Triple Flip*</b>	<b>\$(115,697)</b>	<b>\$(117,835)</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



## BANNING TOP 15 BUSINESS TYPES

Business Type	Banning	Change	County	HdL State
	Q2 '12		Change	Change
Auto Repair Shops	10,052	133.6%	8.2%	5.1%
Automotive Supply Stores	14,782	-3.3%	7.3%	8.0%
Cigar Stores	8,618	380.7%	30.1%	13.9%
Contractors	18,985	28.8%	5.6%	12.0%
Discount Dept Stores	— CONFIDENTIAL —		2.6%	3.7%
Drug Stores	20,565	5.5%	5.7%	3.6%
Grocery Stores Liquor	13,269	3.8%	2.1%	4.2%
New Motor Vehicle Dealers	— CONFIDENTIAL —		26.4%	22.2%
Package Liquor Stores	8,927	0.2%	7.4%	5.0%
Restaurants Beer And Wine	27,875	0.4%	-2.4%	-0.1%
Restaurants No Alcohol	51,158	4.3%	6.9%	8.1%
Service Stations	117,541	-13.1%	3.0%	2.3%
Trailers/RVs	8,910	-22.2%	-4.9%	9.4%
Used Automotive Dealers	10,487	25.9%	11.6%	13.6%
Variety Stores	8,602	31.7%	11.3%	12.0%
<b>Total All Accounts</b>	<b>\$420,884</b>	<b>0.2%</b>	<b>8.5%</b>	<b>6.7%</b>
<b>County &amp; State Pool Allocation</b>	<b>50,454</b>	<b>18.6%</b>		
<b>Gross Receipts</b>	<b>\$471,338</b>	<b>1.8%</b>		