

# Q2 2015



# City of Banning Sales Tax *Update*

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

## Banning In Brief

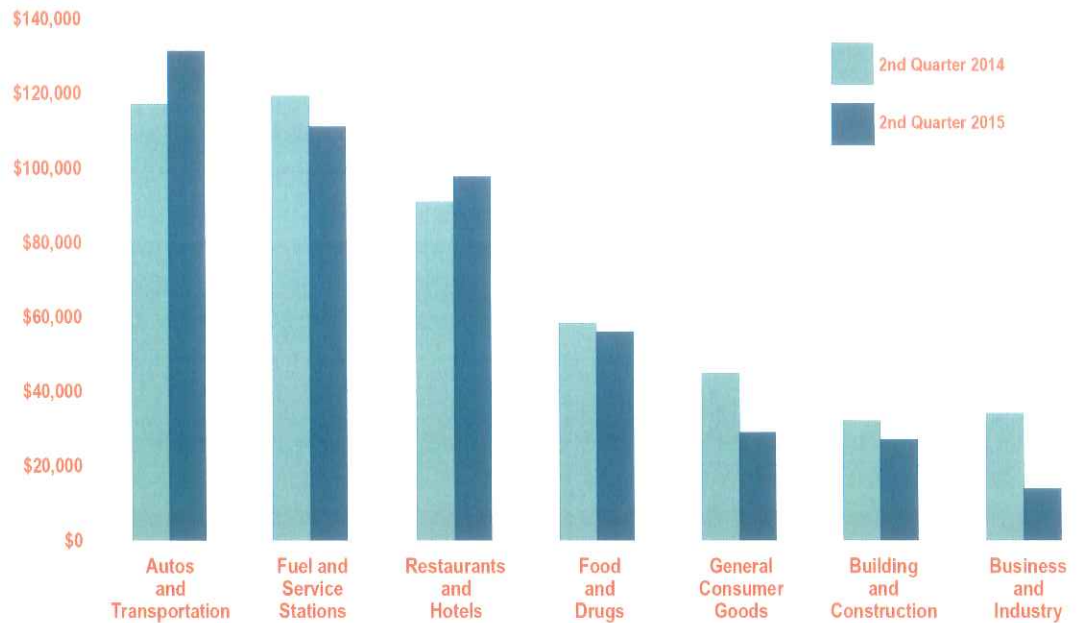
Receipts from Banning's April through June sales were 5.7% lower than the same quarter one year ago but reporting aberrations skewed the data. With anomalies removed, actual sales were up 1.0%.

Accounting adjustments that inflated year-ago returns exaggerated the drop in current quarter business and industry results. Retail merchant store closures depressed general consumer goods revenues while continuing lower fuel prices negatively impacted fuel and service station receipts.

The losses were partially offset by a strong sales quarter from the autos and transportation group. In addition, all restaurant categories enjoyed net higher sales.

Adjusted for aberrations, taxable sales for all of Riverside County grew 2.3% over the comparable time period; while the Southern California region as a whole was up 3.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

22nd Shell	Jack in the Box
Albertsons	KFC
Arco AM PM	McDonalds
Arco AM PM	Rite Aid
Auto Source	Sizzler
AutoZone	Smart & Final
Banning RV Discount Center	Snack Attack
Carls Jr	Chevron
Del Taco	Sun Lakes Country Club
Diamond Hills Auto Group	Walgreens
G & M Oil Arco	Wausau Tile
Highland Springs Mobil	Western Hydro
IHOP	Zenner Performance Meters

## REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$496,191	\$465,595
County Pool	53,322	52,656
State Pool	373	386
Gross Receipts	\$549,886	\$518,637
Less Triple Flip*	\$(137,471)	\$(129,659)

\*Reimbursed from county compensation fund

**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.

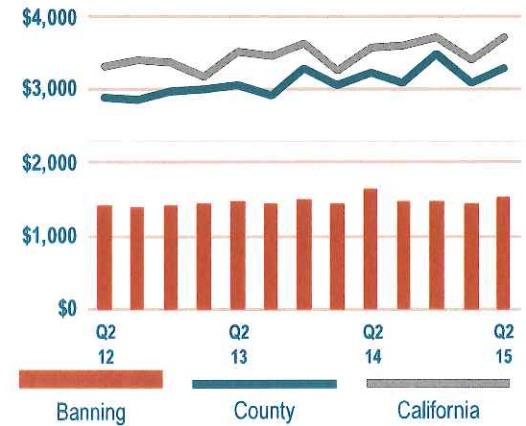
**Internet Sales Tax Proposal**

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.

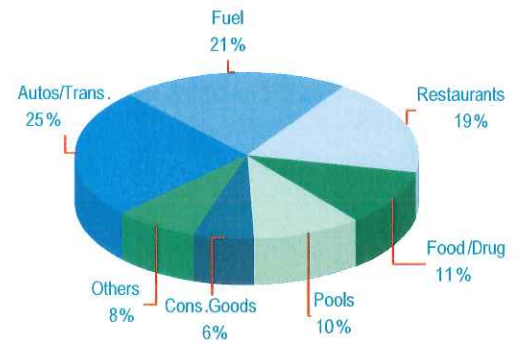
The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under \$5 million, and requires states to provide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



**BANNING TOP 15 BUSINESS TYPES**

Business Type	Banning		County	HdL State
	Q2 '15	Change	Change	Change
Auto Repair Shops	6,472	-25.3%	12.1%	7.2%
Automotive Supply Stores	10,639	-11.4%	3.6%	5.5%
Casual Dining	40,006	9.5%	11.3%	6.0%
Contractors	24,988	-15.2%	14.0%	14.3%
Drug Stores	— CONFIDENTIAL —		-10.8%	-8.0%
Grocery Stores Liquor	— CONFIDENTIAL —		7.3%	3.6%
Heavy Industrial	8,263	-74.1%	4.5%	11.6%
Leisure/Entertainment	— CONFIDENTIAL —		0.8%	12.5%
Liquor Stores	9,425	0.6%	2.4%	4.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —		11.2%	9.2%
Quick-Service Restaurants	48,022	5.6%	11.6%	9.2%
Service Stations	110,519	-6.4%	-10.6%	-11.7%
Trailers/RVs	10,858	40.6%	22.4%	19.1%
Used Automotive Dealers	18,800	29.6%	8.1%	14.7%
Variety Stores	6,963	-39.0%	7.0%	7.1%
<b>Total All Accounts</b>	<b>465,595</b>	<b>-6.2%</b>	<b>3.0%</b>	<b>2.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>53,042</b>	<b>-1.2%</b>	<b>8.4%</b>	<b>11.8%</b>
<b>Gross Receipts</b>	<b>518,637</b>	<b>-5.7%</b>	<b>3.5%</b>	<b>3.8%</b>