

# Q4 2017



# City of Glendale Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2017)

## Glendale In Brief

Glendale's point of sale receipts October through December, excluding reporting aberrations were 1.5% below the fourth sales period in 2016.

A onetime payment that inflated year-ago returns, exaggerated the drop in business services. Reporting problems temporarily depressed receipts from contractor supplies. The City experienced a decline in sales from the general consumer goods sector.

Receipts from the county use tax pool were negatively impacted by a onetime correction.

The losses were partially offset by a strong sales quarter for auto leases. Onetime accounting adjustments inflated results from leisure/entertainment, heavy industrial and service stations.

Net of aberrations, taxable sales for all of Los Angeles County grew 3.0% over the comparable time period; the Southern California region was up 3.5%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Allen Gwynn Chevrolet	JC Penney
Apple	Lexus of Glendale
Bloomingdales	Macys
Bob Smith Toyota	Marshalls
Calstar Mercedes	New Century Honda
Car Pros Kia Glendale	Nordstrom
DoAll Company	Pacific BMW
Financial Services Vehicle Trust	Ralphs
Glendale Dodge Chrysler Jeep	Star Ford Lincoln
Home Depot	Subaru of Glendale
Hyundai Lease Titling Trust	Target
	Toyota Lease Trust
	Toyota of Glendale
	Scion
	Vons

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$25,785,376	\$25,617,834
County Pool	4,174,297	2,090,006
State Pool	17,476	(1,012)
<b>Gross Receipts</b>	<b>\$29,977,149</b>	<b>\$27,706,828</b>

**California Overall**

Factored for accounting anomalies, statewide fourth quarter receipts from local government's one cent sales tax were 4.4% higher than the holiday quarter of 2016.

Rising fuel prices and solid gains from building/construction supplies, restaurants and e-commerce were the primary contributors to the overall increase. A healthy quarter for auto sales and construction equipment were additional factors. Tax revenues from general consumer goods sold through brick and mortar stores rose a modest 1% over last year's comparable quarter while receipts from online sales increased 13.2%.

Performance for the inland areas of the state were generally stronger than the coastal areas which had earlier recovered from the previous downturn.

**Nexus Issue to be Revisited**

In 1992, the U.S. Supreme Court ruled in *Quill v. North Dakota* that businesses lacking a physical presence or "nexus" in a state cannot be required to collect or remit that state's taxes. This does not excuse buyers from paying a corresponding use tax but the costs of enforcement, particularly on smaller purchases, is difficult and local brick and mortar retailers are placed at a competitive disadvantage.

California has been more effective at collecting use tax than most states with an aggressive program of auditing major business purchases, requiring CPA's to report unpaid use tax on client's annual returns and requiring businesses with annual gross receipts of \$100,000 or more to register for the purposes of reporting use tax.

The State has also increased the number of out-of-state sellers required to collect sales tax through broader definitions of what constitutes physical presence including a requirement that larger internet retailers collect and remit sales tax if paying a commission for customer referrals obtained via a link on a California seller's website.

Still, the estimated revenue losses are substantial particularly for agencies with voter-approved transactions tax districts. Because of *Quill*, retailers are

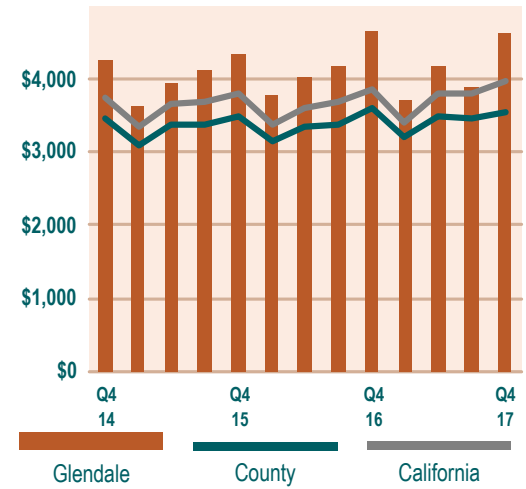
not required to collect the tax for purchases in an adjacent jurisdiction if the retailer has no physical presence in that jurisdiction. The resulting loss to local governments projected by the State Board of Equalization in 2016-17 was \$756 Million in uncollected tax revenues and losses to the state of \$697 Million: (<https://www.boe.ca.gov/legdiv/pdf/e-commerce-2017F.pdf>).

Congress has refused to act on numerous attempts to seek legislative relief over the last two decades. However, three justices – Clarence Thomas, Neil Gorsuch and Anthony Kennedy have recently expressed doubts about the *Quill* decision with Kennedy noting in 2015, that the ruling has produced a "startling revenue shortfall" in many states as well as "unfairness to local retailers and customers."

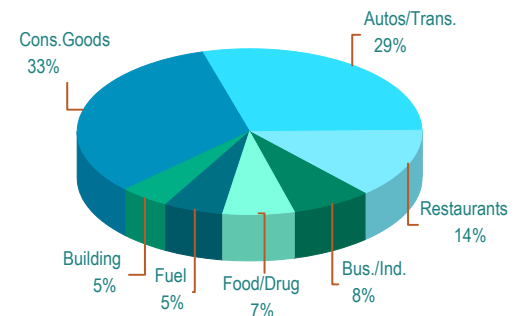
In January 2018, the U.S. Supreme Court agreed to hear arguments in the case of *South Dakota v. Wayfair Inc.* where *Wayfair* is challenging the State's recently adopted requirement that retailers collect and remit, or pay, sales tax on purchases made by South Dakota residents.

Oral arguments are scheduled for April with a decision expected by the end of June 2018.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Glendale This Quarter



**GLENDALE TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Glendale Q4 '17*	Glendale Change	County Change	HdL State Change
Auto Lease	620.4	27.3%	12.9%	16.6%
Building Materials	241.1	3.6%	7.8%	11.6%
Casual Dining	600.6	6.0%	3.6%	3.5%
Convenience Stores/Liquor	191.3	7.4%	7.9%	8.3%
Department Stores	718.8	-3.4%	-3.0%	-5.4%
Discount Dept Stores	— CONFIDENTIAL —		3.7%	4.1%
Electronics/Appliance Stores	439.9	3.1%	3.3%	5.8%
Family Apparel	571.0	-4.1%	3.1%	2.1%
Grocery Stores	306.0	-4.1%	-5.8%	-1.5%
Heavy Industrial	227.9	225.2%	5.8%	10.1%
New Motor Vehicle Dealers	1,780.8	3.2%	-0.9%	2.6%
Quick-Service Restaurants	420.7	0.1%	4.5%	4.9%
Service Stations	510.8	21.8%	10.0%	11.4%
Specialty Stores	296.1	-1.5%	5.3%	4.4%
Women's Apparel	207.4	-14.5%	-4.9%	-5.9%
<b>Total All Accounts</b>	<b>9,335.6</b>	<b>0.1%</b>	<b>-0.9%</b>	<b>4.0%</b>
<b>County &amp; State Pool Allocation</b>	<b>(770.7)</b>	<b>-148.7%</b>	<b>-0.5%</b>	<b>0.8%</b>
<b>Gross Receipts</b>	<b>8,564.9</b>	<b>-21.5%</b>	<b>-0.8%</b>	<b>3.6%</b>