

Q1 2018



El Dorado County Sales Tax *Update*

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

El Dorado County In Brief

The Unincorporated Area's receipts from January through March were 1.7% below the first sales period in 2017. Excluding reporting aberrations, actual sales were up 3.6%.

Onetime audit adjustments coupled with an allocation correction posted last year caused a decrease in general consumer goods; this sector was up 3% after all anomalies are removed. A late filed return in the year-ago quarter accounted for most of the decline from contractors.

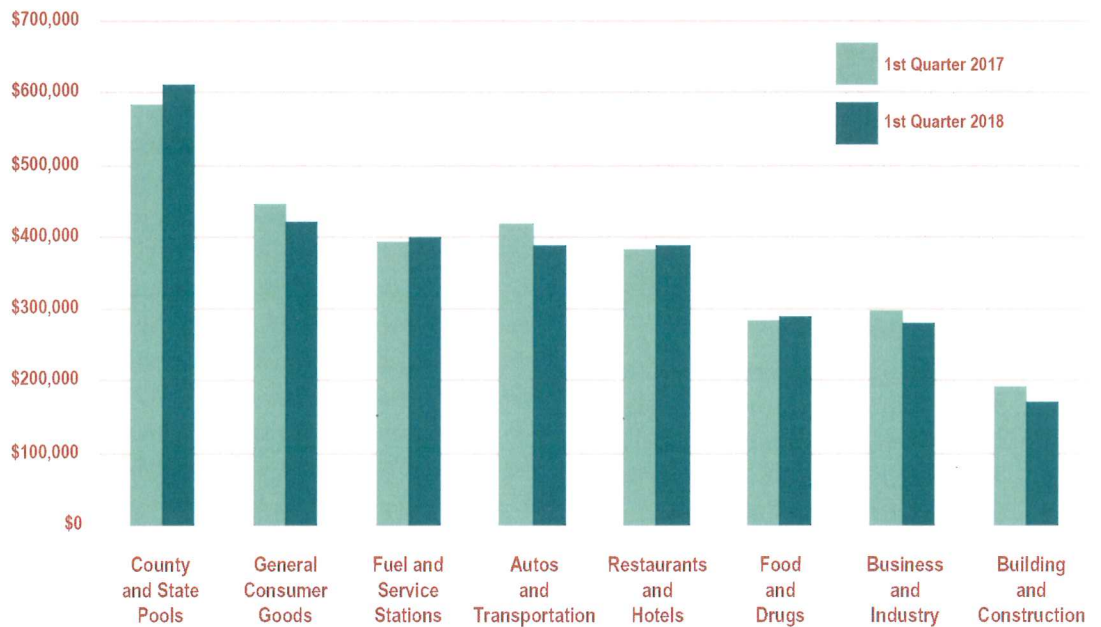
Account corrections, including a double-up payment, occurred in the comparison quarter and were largely responsible for the temporary dip from casual dining. Sales weakened in the auto repair and supplies categories.

Countywide use tax distributions increased which helped offset losses in other point of sale industry segments. Service stations revenues again rose as fuel prices continued to climb.

Grocery stores, convenience outlets and building materials all contributed solids tax gains during the winter months.

Net of aberrations, taxable sales for all of El Dorado County grew 5.4% over the comparable time period; the Sacramento region was up 5.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS IN ALPHABETICAL ORDER

Cameron Park Arco Ampm	Mercedes Benz of El Dorado Hills
Chevron	Raleys
Circle K 76	Red Hawk Casino
Crystal View Shell	Safeway
CVS Pharmacy	Safeway Fuel
Frontier Dental Labs	Shell
Golden State Flow Measurement	Shingle Springs Honda
Heavenly Sports Main Lodge	Shingle Springs Nissan Subaru
Heavenly Valley Cal Base Lodge	Sierra at Tahoe
Jon-Don	Target
Lees Feed & Western Store	TJ Maxx
Meeks Building Center	Valero
	Walmart

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$10,345,269	\$10,728,160
County Pool	2,482,210	2,566,897
State Pool	8,729	3,938
Gross Receipts	\$12,836,207	\$13,298,995

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 online interstate marketplace was not the prevailing issue before the court in 1992.

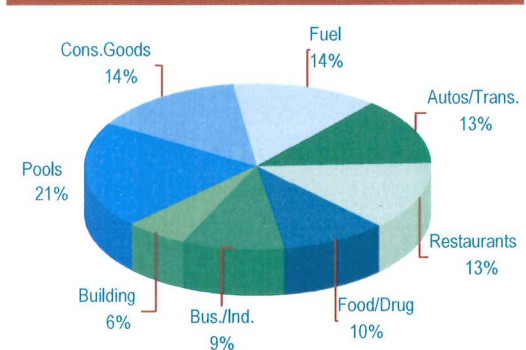
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

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
El Dorado Co. Uninc This Quarter



EL DORADO COUNTY TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Unincorporated County Q1 '18*	Unincorporated County Change	County Change	HdL State Change
Auto Repair Shops	52.4	-2.2%	-7.6%	-7.6%
Automotive Supply Stores	55.8	-7.0%	-4.3%	-4.1%
Building Materials	67.7	9.3%	9.8%	3.8%
Casual Dining	212.6	-2.9%	-2.1%	-2.0%
Contractors	62.5	-27.4%	-21.1%	21.6%
Convenience Stores/Liquor	72.4	13.9%	9.5%	0.5%
Discount Dept Stores	— CONFIDENTIAL —	—	-4.6%	2.8%
Grocery Stores	153.5	3.5%	0.1%	1.9%
Hotels-Liquor	— CONFIDENTIAL —	—	5.2%	4.0%
Light Industrial/Printers	60.6	-18.3%	-19.3%	-12.2%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	15.0%	-0.2%
Quick-Service Restaurants	79.6	2.1%	4.2%	-3.8%
Service Stations	373.8	4.6%	3.9%	4.6%
Specialty Stores	54.3	-10.9%	-13.0%	-10.1%
Sporting Goods/Bike Stores	63.9	-7.6%	-18.8%	1.4%
Total All Accounts	2,340.1	-3.3%	-1.9%	-1.8%
County & State Pool Allocation	611.0	4.6%	6.1%	-2.1%
Gross Receipts	2,951.2	-1.7%	-0.3%	-1.8%