

# Q3 2018



# El Dorado County Sales Tax *Update*

*Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)*

## El Dorado County In Brief

The unincorporated area's receipts from July through September were 27.8% above the third sales period in 2017, largely due to the recovery of \$549,000 withheld last quarter and net of \$191,000 missing from this quarter. Taxpayers are getting better at using the State's new tax filing system but issues remain. Excluding this and all other reporting adjustments, actual receipts were up 9.6%.

After discounting the effects of late and missing payments, one finds that sales tax on fuel gained 7% over the prior year while general consumer good sales increased 5.4%. Autos-transportation spending increased 5.3% and restaurant activity was up 4%. Business and industry receipts were bolstered by a large one-time payment that accounted for most of the 9% increase.

Late and missing payments accounted for all of the building industry gains but depressed food/drug receipts.

Late remittances increased the size of the countywide pool significantly. As a result, the county's allocation increased nearly 32%.

Net of adjustments, taxable sales for all of El Dorado County grew 5.9% over the comparable time period while those of the entire Sacramento region were up 4.3%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS IN ALPHABETICAL ORDER

Broadridge Output Solutions	Lees Feed & Western Store
Cameron Park 76	Meeks Building Center
Cameron Park Arco AMPM	Mercedes Benz of El Dorado Hills
Camp Richardson Resort	Musco Sports Lighting
Chevron	My Goods Market
CVS Pharmacy	Quik Stop
Daimler Trust	Safeway
Dawson Oil	Safeway Fuel
El Dorado Truss	Shell
Georgetown Gas N Go	Shingle Springs Honda
Green Valley Convenience Center	Shingle Springs Nissan Subaru
Jon-Don	Target
	Walmart

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$2,798,993	\$3,552,061
County Pool	621,903	819,431
State Pool	2,353	1,975
<b>Gross Receipts</b>	<b>\$3,423,249</b>	<b>\$4,373,467</b>

**California Overall**

The CDTFA's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

**South Dakota V. Wayfair Decision**

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

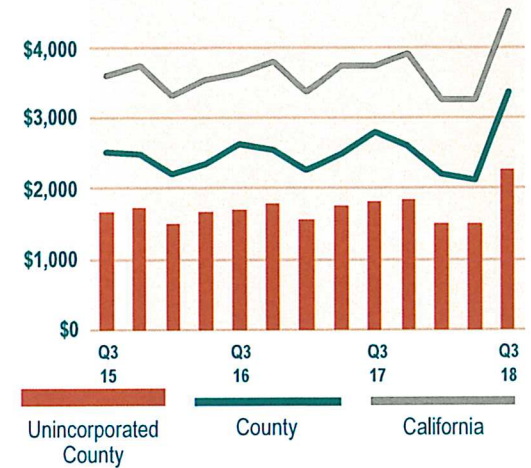
California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

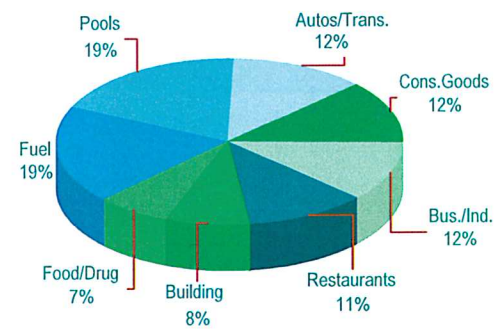
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

**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 Q3 '18*	Unincorporated County Change	County Change	HdL State Change
Auto Repair Shops	63.7	9.7%	21.4%	14.4%
Automotive Supply Stores	73.5	21.9%	15.1%	8.4%
Building Materials	127.8	27.4%	27.2%	29.6%
Business Services	— CONFIDENTIAL —	—	17.7%	48.4%
Casual Dining	247.6	8.1%	13.2%	14.8%
Contractors	137.7	91.0%	74.5%	37.9%
Convenience Stores/Liquor	69.9	17.8%	6.2%	20.6%
Discount Dept Stores	— CONFIDENTIAL —	—	24.3%	18.3%
Grocery Stores	168.0	4.7%	4.9%	16.1%
Hotels-Liquor	74.5	16.2%	20.3%	16.9%
Light Industrial/Printers	68.4	17.0%	18.7%	28.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	14.3%	12.7%
Quick-Service Restaurants	97.1	12.3%	13.8%	13.5%
Service Stations	783.2	47.9%	45.0%	43.0%
Specialty Stores	63.3	3.1%	3.6%	8.4%
<b>Total All Accounts</b>	<b>3,552.1</b>	<b>26.9%</b>	<b>21.6%</b>	<b>21.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>821.4</b>	<b>31.6%</b>	<b>26.1%</b>	<b>27.8%</b>
<b>Gross Receipts</b>	<b>4,373.5</b>	<b>27.8%</b>	<b>22.5%</b>	<b>22.6%</b>