

Q1 2018



Contra Costa County Sales Tax *Update*

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

Contra Costa County In Brief

The Unincorporated Area's receipts from January through March were 1.9% below the first sales period in 2017. Due to the state's transition to a new software system, multiple transactions were not processed in 1Q18 but are anticipated to be received with the 2Q18 distribution. Including these allocations and other reporting aberrations, actual sales would have been up 3.3%.

Missing payments combined with a business closeout accounted for the decline in business and industry. A new enterprise boosted medical/biotech while most sectors were higher than a year ago on an actual basis.

Additional distribution delays adversely impacted autos-transportation and food-drugs. Both groups were on the plus side once these payments were restored.

The rise in building-construction and fuel-related categories were overstated by non-recurring events.

Net of aberrations, taxable sales for all of Contra Costa County grew 7.2% over the comparable time period; the Bay Area was up 6.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Air Liquide	General Plumbing Supply
Alamo Hardware	McGuire Harley Davidson
Bay Point Valero	New York Times Sales
BDV Chevron	Phillips 66 Company
Biocare Medical	Rotten Robbie
Blackhawk Country Club	S & S Tool & Supply
Brickyard Building Materials	Safeway
Chevron	Safeway Fuel
Colonial Energy	Sams Club
Criterion Catalysts Technologies	Tesoro Refining & Marketing
Dead Fish	United Rentals
Edgen Murray Corporation	Wesco Distribution
El Sobrante Shell	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$9,710,982	\$9,634,929
County Pool	1,780,659	1,638,162
State Pool	7,829	3,421
Gross Receipts	\$11,499,470	\$11,276,512
Cty/Cnty Share	3,787,351	3,888,524
Net Receipts	\$15,286,821	\$15,165,035

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.

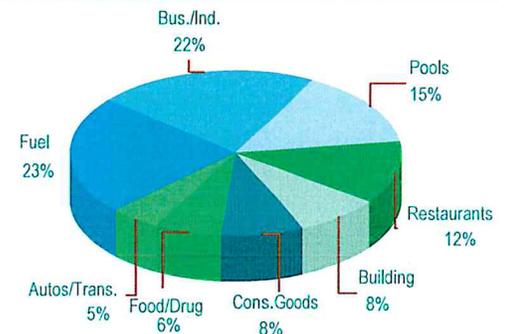
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

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
Contra Costa Co. Uninc This Quarter



CONTRA COSTA COUNTY TOP 15 BUSINESS TYPE

Business Type	*In thousands of dollars			
	Unincorporated County Q1 '18*	Unincorporated County Change	County Change	HdL State Change
Building Materials	53.2	11.9%	10.2%	3.8%
Casual Dining	128.1	-7.5%	-1.6%	-2.0%
Contractors	106.6	3.8%	7.0%	21.6%
Convenience Stores/Liquor	53.2	-7.0%	-9.8%	0.6%
Discount Dept Stores	— CONFIDENTIAL —	—	1.2%	2.8%
Electrical Equipment	— CONFIDENTIAL —	—	163.4%	2.0%
Garden/Agricultural Supplies	51.9	0.1%	3.9%	3.0%
Grocery Stores	85.2	1.2%	-3.4%	1.9%
Leisure/Entertainment	62.0	16.5%	10.9%	3.5%
Light Industrial/Printers	135.7	2.3%	-5.7%	-12.2%
Petroleum Prod/Equipment	215.3	5.4%	8.0%	3.7%
Plumbing/Electrical Supplies	53.1	48.1%	18.8%	11.6%
Quick-Service Restaurants	89.6	-9.7%	-7.5%	-3.8%
Repair Shop/Equip. Rentals	68.5	-36.8%	-2.7%	-3.8%
Service Stations	380.7	5.1%	11.9%	4.6%
Total All Accounts	2,201.5	-2.4%	-0.2%	-1.8%
County & State Pool Allocation	391.4	-2.8%	-0.7%	-2.1%
Gross Receipts	2,593.0	-2.5%	-0.3%	-1.8%
City/County Share	885.1	-0.2%		
Net Receipts	3,478.0	-1.9%		