

# Q2 2016



# City of Rosemead Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

## Rosemead In Brief

Rosemead's receipts from April through June were 12.6% above the second sales period in 2015. Excluding reporting aberrations, actual sales were up 4.3%.

Correction of a previously misallocated payment in used autos and an accounting adjustment that inflated receipts from electronics stores were major factors in the disparity between cash receipts and local sales activity. Sales of used autos were also up sharply.

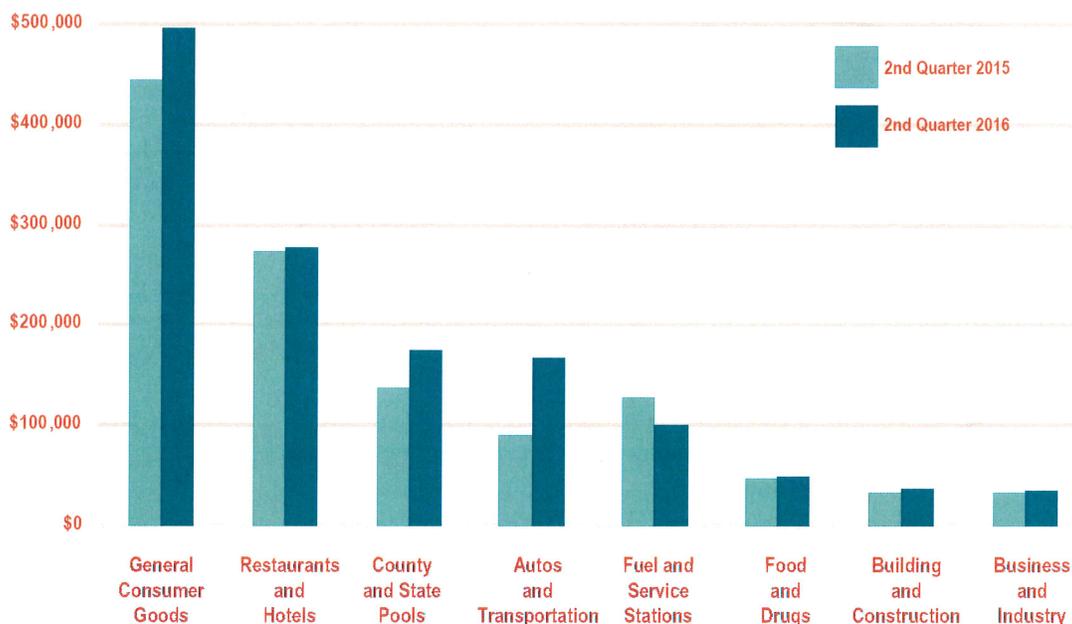
Receipts from newly opened specialty stores accounted for most of the gain in general consumer goods as results were mixed from existing retailers. The building-construction, food-drugs and business-industry sectors all posted higher returns. Quick-service sales were up however, a temporarily misallocated payment again hampered casual dining receipts.

The City's allocation from the countywide use tax pool increased 27.7% over the previous year due largely to the correction of a prior multi-year misallocation that inflated the pool during the quarter.

The gains were partially offset by continued lower gas prices that depressed service station receipts.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.1% over the comparable time period; the Southern California region was up 1.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	McDonalds (2)
888 Seafood	Rosemead Mobil
Allied Building Products	Rosemead Valley Mart Mobil
AutoZone	Sea Harbour Seafood
CH Auto	Shell
Circle K	Spa Nails Supply
East Gourmet Seafood	T Mobile
H J Auto Group	Target
In N Out	TGI Fridays
Jade BBQ	USA Gasoline
Kami Buffet & Grill	Walmart Supercenter
Lonix Pharmaceutical	
Macys	

## REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$1,053,729	\$1,166,063
County Pool	137,060	175,038
State Pool	887	409
Gross Receipts	\$1,191,676	\$1,341,511
Less Triple Flip*	\$(297,919)	\$0

\*Reimbursed from county compensation fund

**California Overall**

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

**Interest In Tax Reform Grows**

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

**Expand the Base / Lower the Rate:**

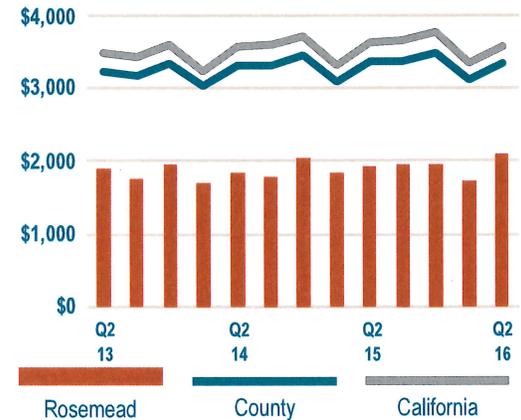
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

**Allocate to Place of Consumption:**

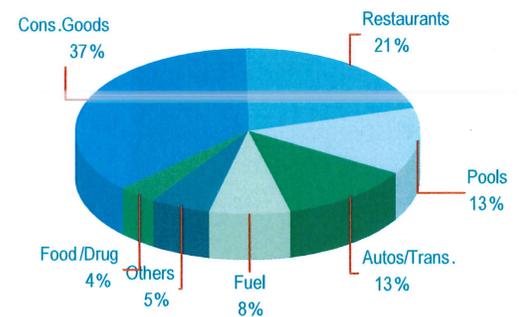
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Rosemead This Quarter



**ROSEMEAD TOP 15 BUSINESS TYPES**

Business Type	<i>*In thousands of dollars</i>			
	Rosemead Q2 '16*	Rosemead Change	County Change	HdL State Change
Auto Repair Shops	20.3	1.8%	4.7%	4.7%
Automotive Supply Stores	19.6	-2.7%	-2.4%	1.5%
Casual Dining	135.3	-0.2%	6.4%	4.2%
Contractors	12.7	27.0%	10.1%	6.4%
Department Stores	— CONFIDENTIAL —	—	-0.9%	-4.3%
Discount Dept Stores	— CONFIDENTIAL —	—	0.4%	0.7%
Drug Stores	18.1	0.5%	0.9%	0.5%
Electronics/Appliance Stores	44.4	193.3%	29.8%	22.4%
Fast-Casual Restaurants	20.9	-4.5%	3.8%	3.9%
Grocery Stores Beer/Wine	12.8	-2.7%	1.6%	-0.8%
Home Furnishings	12.0	13.4%	7.9%	1.2%
Quick-Service Restaurants	117.1	3.8%	6.2%	6.7%
Service Stations	101.0	-21.6%	-20.5%	-19.2%
Specialty Stores	38.6	96.8%	-0.2%	2.6%
Used Automotive Dealers	128.5	169.1%	4.6%	10.9%
<b>Total All Accounts</b>	<b>1,166.1</b>	<b>10.7%</b>	<b>0.1%</b>	<b>-0.6%</b>
<b>County &amp; State Pool Allocation</b>	<b>175.4</b>	<b>27.2%</b>	<b>15.1%</b>	<b>15.2%</b>
<b>Gross Receipts</b>	<b>1,341.5</b>	<b>12.6%</b>	<b>1.9%</b>	<b>1.4%</b>