

# Q2 2019



# City of Fullerton Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

## Fullerton In Brief

Fullerton's receipts from April through June were 34.3% above the second sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system in the prior year which temporarily delayed distributions to the City. Excluding reporting aberrations, actual sales were up 3.7%.

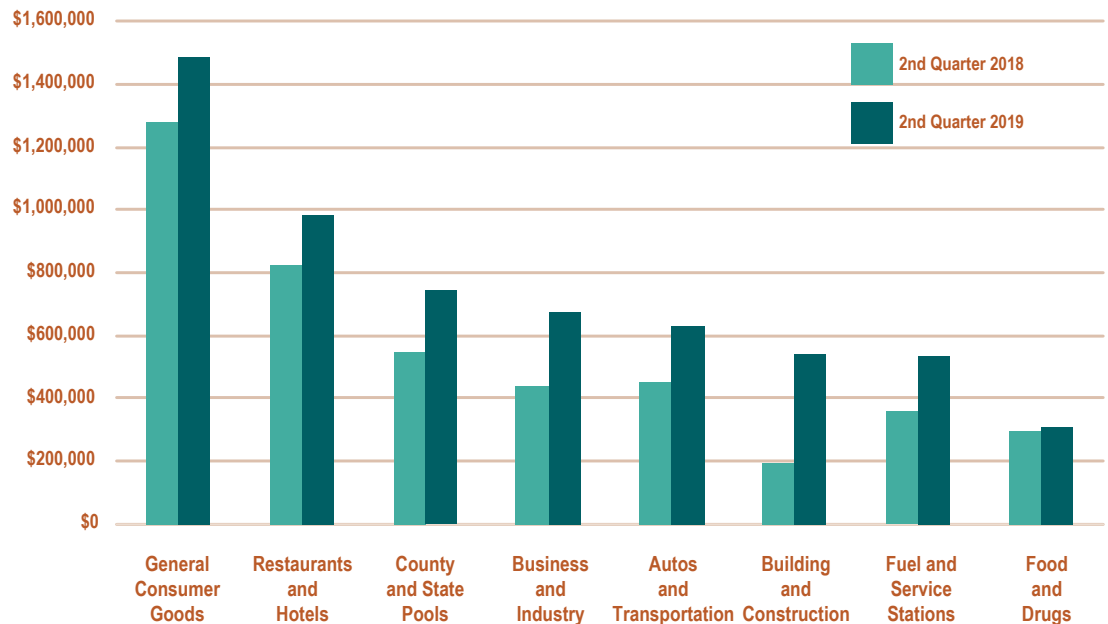
The largest contributor to this improvement was a surge in allocations from the countywide use tax pool, which is where much of the tax from online sales is distributed. This has long been one of the fastest growing revenue categories due to the ongoing consumer shift to online shopping, but receipts were further boosted by implementation of California's new legislation that has established a lower threshold for requiring the collection of use taxes by out of state retailers.

Used car and other auto-transportation related sales were also strong with an 8% gain, exceeding the 1% statewide trend.

Plumbing/electrical related sales declined, however, due, in part, to a recent business relocation.

Net of aberrations, taxable receipts for all of Orange County grew 3.8% over the comparable time period; the Southern California region was up 2.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	Golden West Towing Equipment
Anderco	Happy Jewelry
Arco	Home Depot
Arco AM PM	McCoy & Mills Ford
Auto Republic	OC Auto Exchange
Best Buy	Ocean Subaru of Fullerton
Burlington	Ralphs
Chevron	Rexel
Costco	Sam's Club w/ Fuel
CSU Fullerton Foundation	Shell
Engineered Floors	Target
Express Pipe & Supply	United Duralume Products
Floor & Decor	

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2017-18	2018-19
Point-of-Sale	\$18,072,892	\$21,297,802
County Pool	2,435,545	2,978,522
State Pool	10,342	10,571
<b>Gross Receipts</b>	<b>\$20,518,779</b>	<b>\$24,286,895</b>

**California Overall**

The local one percent share of California’s sales and use tax from April through June sales was 20.4% higher than the same quarter in 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value-priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

**Marketplace Facilitator Act**

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client’s sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

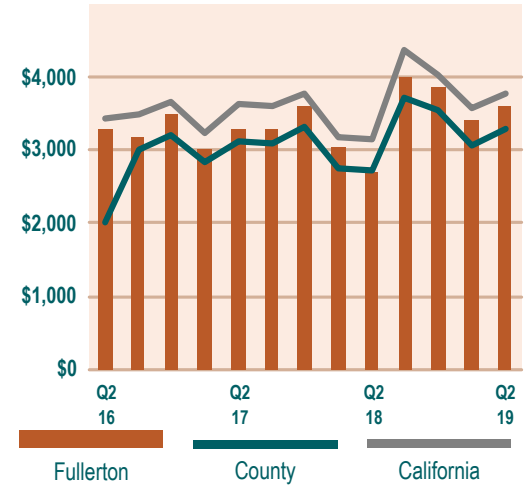
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California’s approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

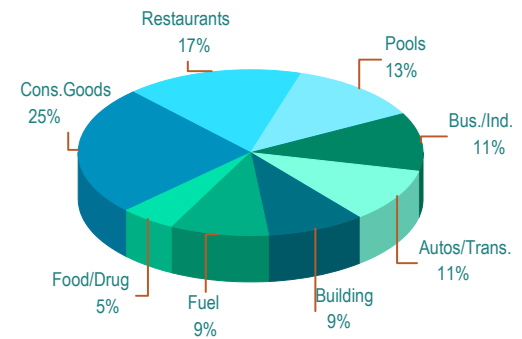
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state’s sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Fullerton This Quarter



**FULLERTON TOP 15 BUSINESS TYPES**

*\*In thousands of dollars*

Business Type	Fullerton		County	HdL State
	Q2 '19*	Change	Change	Change
Automotive Supply Stores	96.5	35.9%	24.1%	16.4%
Building Materials	— CONFIDENTIAL —		26.8%	34.1%
Casual Dining	429.4	22.7%	25.3%	24.5%
Contractors	118.0	25.7%	0.8%	26.8%
Discount Dept Stores	— CONFIDENTIAL —		22.9%	26.3%
Electronics/Appliance Stores	230.3	12.0%	10.1%	7.0%
Family Apparel	98.6	19.3%	35.1%	45.3%
Fast-Casual Restaurants	97.9	9.8%	16.0%	18.6%
Grocery Stores	198.3	2.0%	3.7%	9.6%
Light Industrial/Printers	139.5	22.7%	47.8%	51.3%
New Motor Vehicle Dealers	— CONFIDENTIAL —		22.8%	5.4%
Plumbing/Electrical Supplies	220.9	na	28.5%	28.9%
Quick-Service Restaurants	376.9	22.6%	15.8%	15.8%
Service Stations	535.2	50.1%	61.7%	51.4%
Used Automotive Dealers	207.1	25.3%	132.2%	90.0%
<b>Total All Accounts</b>	<b>5,164.0</b>	<b>34.2%</b>	<b>21.5%</b>	<b>20.1%</b>
<b>County &amp; State Pool Allocation</b>	<b>741.8</b>	<b>35.4%</b>	<b>22.1%</b>	<b>22.4%</b>
<b>Gross Receipts</b>	<b>5,905.8</b>	<b>34.3%</b>	<b>21.6%</b>	<b>20.4%</b>