

# Q2 2019



# City of Seal Beach Sales Tax *Update*

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

## Seal Beach In Brief

Seal Beach's receipts from April through June were 8.6% 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 down 4.9%.

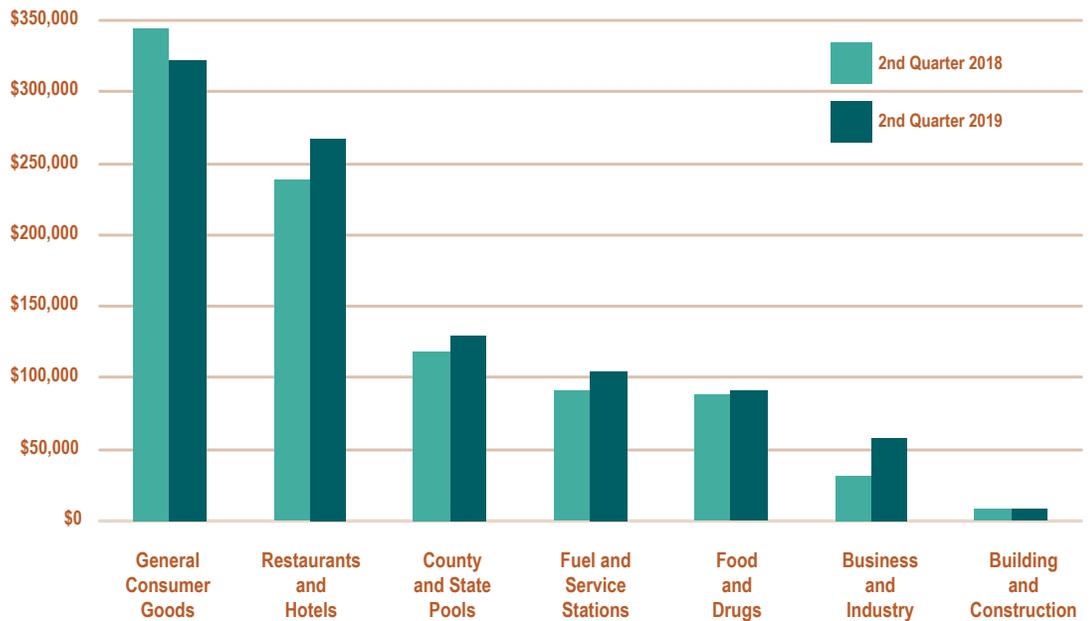
The bankruptcy of a national specialty store chain with a local presence in the last year was a significant contributor to this decline.

Fuel and service station receipts also dropped this quarter, partially due to the temporary closure of a local station.

Business-industrial sales increases and the recent opening of a new women's clothier were positives.

Net of aberrations, taxable receipts for all of Orange County grew 3.7% 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

76	Original Parts Group
Chevron	Panera Bread
Chick Fil A	Pavilions
CVS Pharmacy	Petsmart
Energy Tubulars	Ralphs
Hangout	Roger Dunn Golf Shop
Home Goods	Spaghettini
In N Out Burger	Sprouts Farmers Market
Islands	Staples
Kohls	Target
Marshalls	Ulta Beauty
Mobil	Walt's Wharf
Old Ranch Country Club	

### REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$3,491,828	\$3,755,639
County Pool	471,366	524,752
State Pool	1,971	1,863
<b>Gross Receipts</b>	<b>\$3,965,165</b>	<b>\$4,282,253</b>
Measure BB	\$0	\$1,089,610

**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.

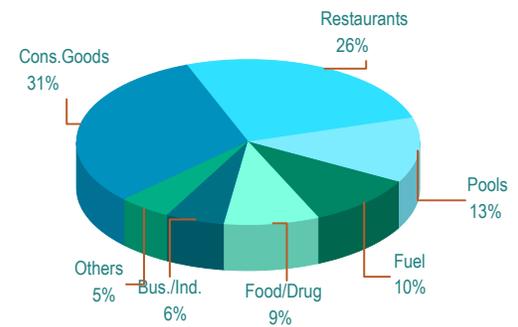
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state's sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped 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**  
Seal Beach This Quarter



**SEAL BEACH TOP 15 BUSINESS TYPES**

Business Type	Seal Beach		County	HdL State
	Q2 '19	Change	Change	Change
Automotive Supply Stores	— CONFIDENTIAL —	—	24.1%	16.4%
Casual Dining	137,727	7.0%	25.3%	24.5%
Department Stores	— CONFIDENTIAL —	—	-23.7%	-24.7%
Discount Dept Stores	— CONFIDENTIAL —	—	22.9%	26.3%
Drug Stores	— CONFIDENTIAL —	—	3.5%	-0.3%
Family Apparel	— CONFIDENTIAL —	—	35.1%	45.3%
Fast-Casual Restaurants	28,618	24.9%	16.0%	18.7%
Fine Dining	— CONFIDENTIAL —	—	22.1%	16.5%
Grocery Stores	57,996	0.2%	3.7%	9.6%
Home Furnishings	— CONFIDENTIAL —	—	15.0%	15.7%
Quick-Service Restaurants	64,818	18.0%	15.8%	15.8%
Service Stations	88,213	61.5%	61.7%	51.4%
Specialty Stores	28,937	-58.4%	-2.4%	-8.0%
Sporting Goods/Bike Stores	27,624	6.2%	40.6%	29.7%
Women's Apparel	31,853	16.7%	1.3%	5.7%
<b>Total All Accounts</b>	<b>899,251</b>	<b>8.4%</b>	<b>21.5%</b>	<b>20.1%</b>
<b>County &amp; State Pool Allocation</b>	<b>129,176</b>	<b>9.5%</b>	<b>22.1%</b>	<b>22.4%</b>
<b>Gross Receipts</b>	<b>1,028,427</b>	<b>8.6%</b>	<b>21.6%</b>	<b>20.4%</b>