

# Q2 2012



# Grand Terrace Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2012)

## Grand Terrace In Brief

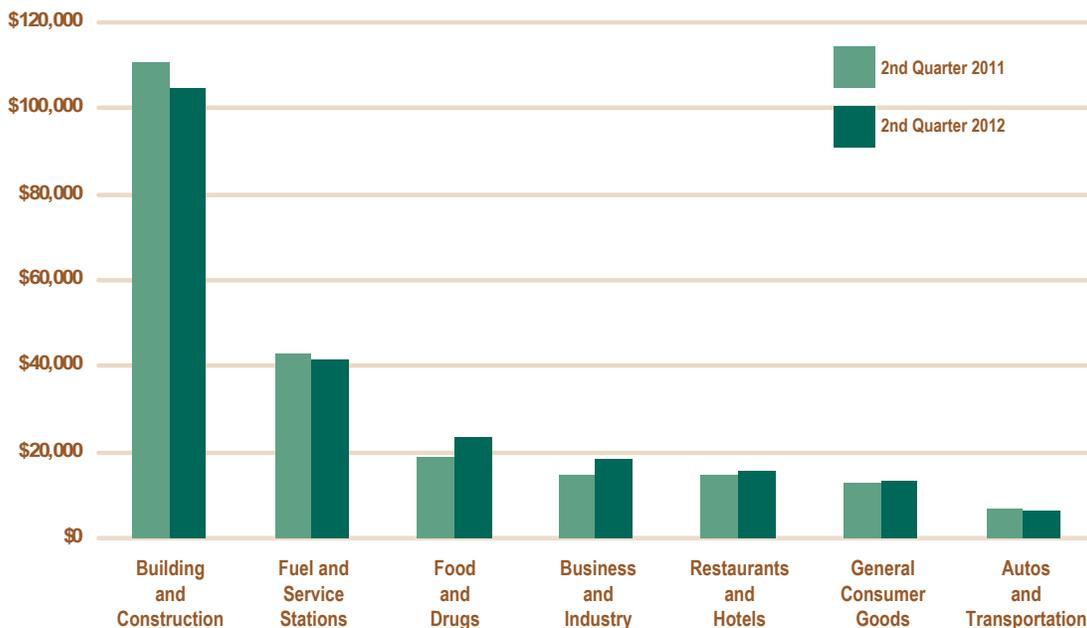
The allocation of local tax receipts from Grand Terrace's April through June sales was 1.3% higher than the same quarter one year ago.

A solid quarter for grocers and onetime accounting adjustments in the business and industry group were primarily responsible for the increase.

The gains were partially offset by a decline in building and construction supplies and in receipts from fuel.

Adjusted for aberrations, taxable sales for all of San Bernardino County increased 8.7% over the comparable time period while Southern California as a whole was up 7.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

Arco	Inland Business Forms
Auto Zone	Little Caesars Pizza
Barr Door	Miguels Jr
Chevron	Mr TV Video
CVS Pharmacy	Riverside Winnelson
Demetris Burgers	Saloncentric
Dollar Tree	Smart Time Food Store
Dominos Pizza	Stater Bros
Emeritus at Grand Terrace	Superior Pool Products
Essco Wholesale Electric	Swertfegers Equipment
Food Connection	Unitek Dental Laboratory
Grand Terrace Shell	
Harris Transfer	
Inland Business Forms	

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$222,890	\$224,565
County Pool	22,853	24,002
State Pool	(130)	223
<b>Gross Receipts</b>	<b>\$245,612</b>	<b>\$248,790</b>
<b>Less Triple Flip*</b>	<b>\$(61,403)</b>	<b>\$(62,197)</b>

\*Reimbursed from county compensation fund

**Statewide Results**

Net of payment aberrations, second quarter retail sales were 7.5% higher than the same period one year earlier.

Purchases of new automobiles, spurred by low interest rates, easy credit and manufacturers' incentives, outpaced first quarter growth and generated 22% of the total increase. Business-to-business sales reflected strength in a number of sectors, notably heavy industrial, business services and equipment for energy related projects. Restaurant and hotel receipts grew by 8.6%, outpacing all other industry groups except autos and transportation. Family apparel sales were strong but weak electronics/appliances returns and lackluster results from department stores and big box discounters held general consumer group gains to a modest 3.9%. Flattening fuel prices and ongoing weakness in lumber and building materials sales also restrained overall results.

**Outlook for the Year**

The momentum for the recovery is slowing and has recently prompted another round of "quantitative easing" by the Federal Reserve Board in an effort to reinvigorate the housing market and spur business investment by keeping interest rates low. Retail growth in California, which fell further than the nation as a whole during the "Great Recession," may outpace the nation going forward but stubborn unemployment, nearly static income levels, and cautious business spending will keep overall sales at moderate levels at least through 2014-15.

**Sales Tax from On-line Retailers**

AB 155, which was passed last year as a compromise with Amazon.com went into effect on September 15. While the bill expanded the state's ability to require the collection of tax

on out-of-state sales, local agencies expecting immediate revenue gains will be disappointed.

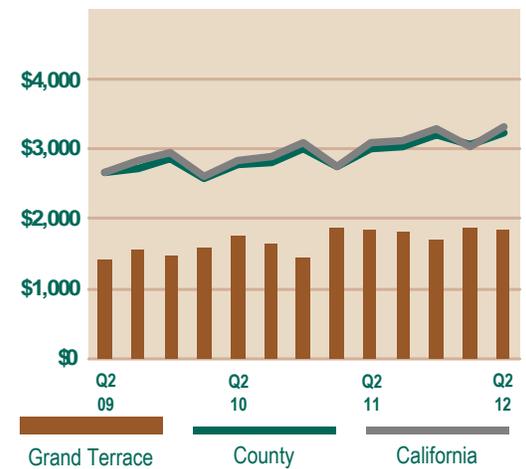
Federal case law continues to provide that remote sellers without nexus in a state are not required to collect that state's sales tax. Amazon agreed not to contest AB 155's definition of nexus which includes remote sellers who have annual sales in California of one million dollars or more and who have an in-state affiliate that provides services in connection with the remote seller's sales if those connected sales exceed \$10,000 per year.

The Board of Equalization's initial estimate was that the legislative change would raise approximately \$38.2 million in one-cent local revenues. However since then, Amazon which was a significant portion of the estimate has decided to build distribution facilities in California which will divert the revenues to the hosting jurisdictions. Other remote sellers, such as Overstock.com, have announced that

they will simply drop their in-state affiliates to avoid collecting the tax.

The Board of Equalization expects to add up to 100 staff positions over the next three years to enforce the new provisions. However, at least initially, local governments should not expect annual revenues of more than \$0.25 per capita and the ultimate solution continues to be federal legislation that eliminates the nexus prohibition and levels the playing field for all retailers.

**SALES PER CAPITA**



**GRAND TERRACE TOP 15 BUSINESS TYPES**

Business Type	Grand Terrace		County	HdL State
	Q2 '12	Change	Change	Change
Automotive Supply Stores	4,086	-7.5%	5.0%	8.0%
Contractors	3,245	31.7%	21.4%	11.7%
Drug Stores	— CONFIDENTIAL —	—	5.2%	3.5%
Drugs/Chemicals	— CONFIDENTIAL —	—	-14.6%	-2.8%
Electronics/Appliance Stores	— CONFIDENTIAL —	—	0.7%	-2.5%
Grocery Stores Beer/Wine	— CONFIDENTIAL —	—	1.7%	7.0%
Grocery Stores Liquor	— CONFIDENTIAL —	—	1.5%	4.2%
Medical/Biotech	4,139	186.4%	-15.2%	1.8%
Plumbing/Electrical Supplies	101,220	-6.2%	-11.0%	-1.4%
Restaurants No Alcohol	15,457	6.6%	5.6%	8.1%
Service Stations	— CONFIDENTIAL —	—	1.0%	2.3%
Specialty Stores	5,142	5.6%	3.1%	2.2%
Stationery/Book Stores	2,831	16.5%	-5.7%	-12.8%
Trailers/RVs	— CONFIDENTIAL —	—	9.1%	9.4%
Variety Stores	2,614	10.7%	11.5%	11.9%
<b>Total All Accounts</b>	<b>\$224,565</b>	<b>0.8%</b>	<b>7.5%</b>	<b>6.7%</b>
<b>County &amp; State Pool Allocation</b>	<b>24,225</b>	<b>6.6%</b>		
<b>Gross Receipts</b>	<b>\$248,790</b>	<b>1.3%</b>		