

# Q4 2017



# City of Dixon Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2017)

## Dixon In Brief

Dixon's receipts from October through December were 10.3% below the fourth sales period in 2016. Excluding reporting aberrations, actual sales were down 3.8%.

Prior quarter audit adjustments coupled with lower demand across several sectors contributed to the decline from the business and industry group. Returns were lower for heavy industrial companies.

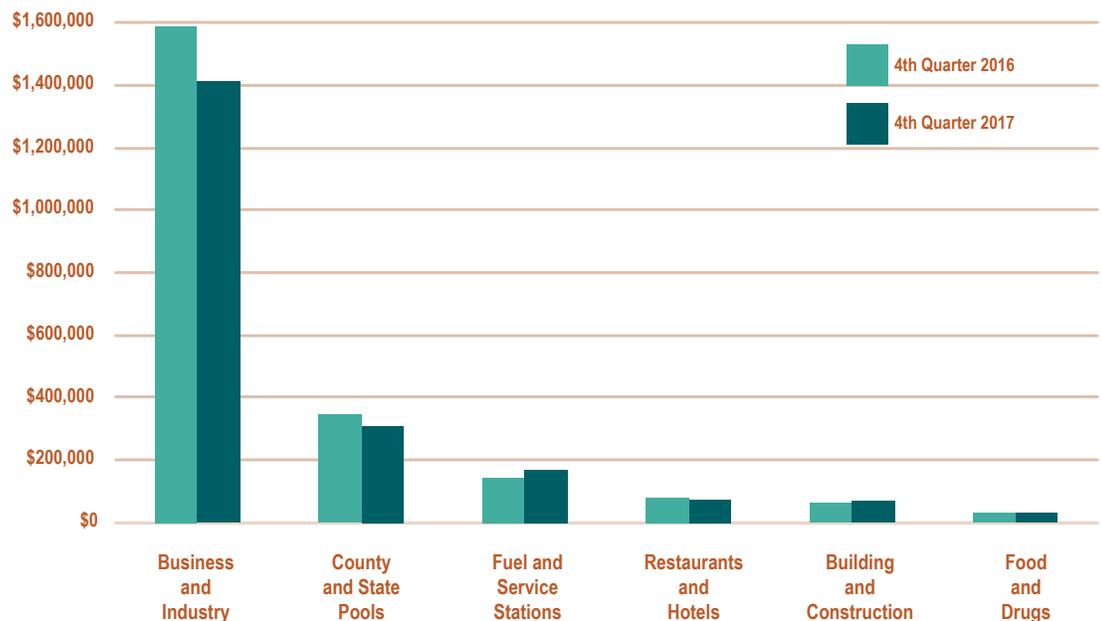
Double payments that inflated the comparison quarter were also responsible for depressing revenues. Quick-service restaurants had sales fall temporarily as a vendor closed last year to commence construction of a replacement facility.

Tax collections in the countywide pool were up modestly, reflecting onetime receipts and a payment anomaly; however, the City's allocation was reduced due to lower point of sale activity in this quarter.

Bright spots included a recent merchant opening that boosted garden/agricultural supplies and rising fuel prices which contributed to service stations receipts growth.

Net of aberrations, taxable sales for all of Solano County grew 3.6% over the comparable time period; the Bay Area was up 4.5%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Air Perfection	JJ Kane Auctioneers
Altec Industries	KUIU
Arco AM PM	Powerscreen
Basalite Concrete Products	Ramos Oil
Cardinal Health 200	Ron Du Pratt Ford
Cardinal Healthcare	Safeway
Cattlemens	Safeway Fuel
Chevron	SEC Auto Solutions
Design Space Modular Buildings	Texaco
Dorset Valero	Tractor Supply
Global Rental	Valley Truck & Tractor
Gone Fishin Marine	Walmart
Gymboree	Supercenter

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$5,336,888	\$5,958,959
County Pool	739,549	864,743
State Pool	3,477	1,029
<b>Gross Receipts</b>	<b>\$6,079,915</b>	<b>\$6,824,731</b>

**California Overall**

Factored for accounting anomalies, statewide fourth quarter receipts from local government's one cent sales tax were 4.5% higher than the holiday quarter of 2016.

Rising fuel prices and solid gains from building/construction supplies, restaurants and e-commerce were the primary contributors to the overall increase. A healthy quarter for auto sales and construction equipment were additional factors. Tax revenues from general consumer goods sold through brick and mortar stores rose a modest 1% over last year's comparable quarter while receipts from online sales increased 13.2%.

Performance for the inland areas of the state were generally stronger than the coastal areas which had earlier recovered from the previous downturn.

**Nexus Issue to be Revisited**

In 1992, the U.S. Supreme Court ruled in *Quill v. North Dakota* that businesses lacking a physical presence or "nexus" in a state cannot be required to collect or remit that state's taxes. This does not excuse buyers from paying a corresponding use tax but the costs of enforcement, particularly on smaller purchases, is difficult and local brick and mortar retailers are placed at a competitive disadvantage.

California has been more effective at collecting use tax than most states with an aggressive program of auditing major business purchases, requiring CPA's to report unpaid use tax on client's annual returns and requiring businesses with annual gross receipts of \$100,000 or more to register for the purposes of reporting use tax.

The State has also increased the number of out-of-state sellers required to collect sales tax through broader definitions of what constitutes physical presence including a requirement that larger internet retailers collect and remit sales tax if paying a commission for customer referrals obtained via a link on a California seller's website.

Still, the estimated revenue losses are substantial particularly for agencies with voter-approved transactions tax districts. Because of *Quill*, retailers are

not required to collect the tax for purchases in an adjacent jurisdiction if the retailer has no physical presence in that jurisdiction. The resulting loss to local governments projected by the State Board of Equalization in 2016-17 was \$756 Million in uncollected tax revenues and losses to the state of \$697 Million: (<https://www.boe.ca.gov/legdiv/pdf/e-commerce-2017F.pdf>).

Congress has refused to act on numerous attempts to seek legislative relief over the last two decades. However, three justices – Clarence Thomas, Neil Gorsuch and Anthony Kennedy have recently expressed doubts about the *Quill* decision with Kennedy noting in 2015, that the ruling has produced a "startling revenue shortfall" in many states as well as "unfairness to local retailers and customers."

In January 2018, the U.S. Supreme Court agreed to hear arguments in the case of *South Dakota v. Wayfair Inc.* where *Wayfair* is challenging the State's recently adopted requirement that retailers collect and remit, or pay, sales tax on purchases made by South Dakota residents.

Oral arguments are scheduled for April with a decision expected by the end of June 2018.

**SALES PER CAPITA**



**COUNTY OVERALL 4Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	3.4%	-5.4%
Building and Construction	24.1%	10.9%
Business and Industry	-10.3%	2.3%
Food and Drugs	-2.8%	1.1%
Fuel and Service Stations	14.7%	14.2%
General Consumer Goods	4.3%	2.7%
Restaurants and Hotels	3.0%	4.9%
County and State Pools	1.9%	8.0%
<b>Total</b>	<b>3.1%</b>	<b>3.6%</b>

\*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP Dixon This Quarter**

