

# Q1 2011

# City of Eastvale Sales Tax *Update*

*Second Quarter Receipts for First Quarter Sales (Jan-Mar 2011)*

## Eastvale In Brief

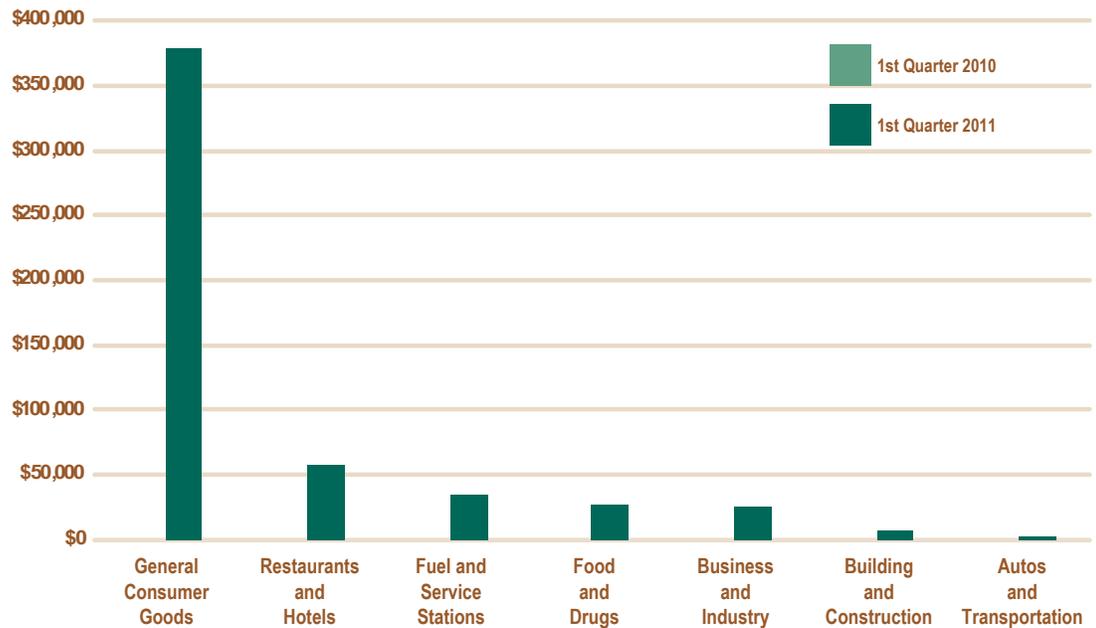
Eastvale's first payment from its one-cent local sales and use tax generated by sales occurring January through March totaled \$590,034.

Ninety percent of this period's revenues were point of sale and the remainder was from the county and state allocation pools. The pools are composed of use tax on goods brought and delivered from out of state, equipment leases, contracts that include affixation to and at the customers' property, and private party vehicle transactions. Eastvale generated 0.3% of all taxable sales within the county this quarter and therefore received 0.3% of the countywide pool revenues.

Some taxpayers are on a special reporting schedule. Because of this and normal start-up issues, the allocations will not reflect the city's full tax base for another one or two quarters. The largest portion of this period's allocation came from general consumer goods (70.8%) followed by restaurants (10.8%).

Eastvale begins its first quarter of sales tax revenue during a period of economic recovery with revenues for all of Riverside County 10.2% higher than the same quarter last year and Southern California as a whole up 8.7%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

7 Eleven	Petsmart
Albertsons	Sports Chalet
Applebees	Staples
Best Buy	Target
Borders	Tillys
Buffalo Wild Wings Grill & Bar	TJ Maxx
Carinos Italian Grill	Verizon Wireless
Carls Jr	Vons
Chevron Station	Vons Fuel Station
Culligan Sales	Wal Mart DVD Rentals
Farmer Boys	Wendys
Kohls	
On the Border	
PTI Sand & Gravel	

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	\$0	\$543,971
County Pool	0	55,918
State Pool	0	133
<b>Gross Receipts</b>	\$0	\$600,022
Cty/Cnty Share	0	(9,988)
<b>Net Receipts</b>	<b>\$0</b>	<b>\$590,034</b>
Less Triple Flip*	\$0	\$(147,508)

\*Reimbursed from county compensation fund

### Statewide Sales on the Rise

Adjusted for accounting aberrations, California's local sales and use tax revenues from transactions during the first quarter of 2011 were 9.2% higher than the previous year's comparable quarter. This represents the fifth consecutive quarter of recovery and the largest percentage gain since the second quarter of 2005. Total annual revenues however, are still 14.8 % below 2006-2007.

Most regions of the state shared in the increase with the largest contributor coming from a dramatic surge in fuel prices. Allocations from new car sales also were a factor with a statewide gain of 19.8% over the first quarter of 2010. Revenues from full service restaurants and consumer electronics exhibited increases of 10% or more.

### California Outlook

The good news is that California's economy is recovering and sales tax growth will follow. However, gains in the next two quarters will be held back by temporary supply chain disruptions caused by the earthquake and tsunami in Japan and by reduced consumer spending as rising gas prices cut into disposable incomes. New uncertainties from further declines in home values and additional government layoffs may also soften consumer spending and business investment for the first half of the fiscal year.

Sales tax growth is expected to pick up in the second half although sluggish improvement in employment and lackluster construction spending will continue to affect the economies of the state's inland regions.

### Internet Taxation

Under federal case law, states cannot require businesses without a physical presence in their state to collect sales tax. Companies such as Amazon have built their business plans around avoiding collecting the tax thereby put-

ting local brick and mortar stores at a competitive disadvantage.

This year, California has attempted to partially correct the inequity through the passage of ABX1 28 which combines the differing strategies of three previous bills with each designed to be severable in the event of a successful court challenge.

The first follows the lead of New York State by declaring that internet sales through a host of in-state affiliates constitutes "substantial nexus" and therefore makes sales through those affiliates subject to sales tax. ABX1 28 also prevents companies with in-state brick and mortar stores from treating those stores as separate legal entities to avoid collecting tax on internet sales. The third strategy permits the state to use a revised definition of "engaged in business in this state" if future court decisions expand the definition of nexus so that internet sellers must collect sales tax in their customers' jurisdictions.

ABX1 28 is expected to increase

statewide tax collections by \$317 million annually, with local governments splitting about \$39 million or roughly \$1.00 per capita. Revenues from these out of state sales would be distributed primarily though the countywide use tax allocation pools.

### Staying Alive (shrinking retailers)

Agencies in smaller market areas may have fresh opportunities for new retail with big box stores now planning on smaller facilities. Reducing floor area is seen as another method of cost containment as consumer thriftiness keeps pressure on corporate profit margins. JC Penney, Petsmart, TJ Maxx and Staples have announced plans to build stores up to 40% smaller than their existing locations while Best Buy is planning to sublease part of the space in their existing stores and retail giant Wal-Mart is experimenting with stores as small as 14,000 square feet to recapture lost market share from dollar stores.

## EASTVALE TOP 15 BUSINESS TYPES

Business Type	Eastvale		County	HdL State
	Q1 '11	Change	Change	Change
Contractors	5,724	na	-1.0%	2.3%
Department Stores	— CONFIDENTIAL —		6.0%	4.1%
Discount Dept Stores	— CONFIDENTIAL —		1.0%	2.1%
Electronics/Appliance Stores	64,337	na	12.0%	11.9%
Family Apparel	25,917	na	2.5%	3.8%
Grocery Stores Beer/Wine	— CONFIDENTIAL —		16.9%	2.7%
Grocery Stores Liquor	23,852	na	-21.7%	-12.5%
Light Industrial/Printers	7,899	na	14.1%	6.5%
Office Supplies/Furniture	— CONFIDENTIAL —		-12.8%	0.2%
Restaurants Liquor	30,441	na	10.6%	8.3%
Restaurants No Alcohol	27,175	na	14.4%	8.6%
Service Stations	— CONFIDENTIAL —		25.6%	19.8%
Specialty Stores	— CONFIDENTIAL —		22.5%	3.1%
Sporting Goods/Bike Stores	— CONFIDENTIAL —		9.0%	3.5%
Stationery/Book Stores	— CONFIDENTIAL —		-6.0%	-1.8%
<b>Total All Accounts</b>	<b>\$534,908</b>	<b>na</b>	<b>9.6%</b>	<b>7.5%</b>
<b>County &amp; State Pool Allocation</b>	<b>55,126</b>	<b>na</b>		
<b>Gross Receipts</b>	<b>\$590,034</b>	<b>na</b>		