

# Q2 2017



# City of Los Altos Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

## Los Altos In Brief

Los Altos' receipts from April through June were 18.5% below the second sales period in 2016. Excluding reporting aberrations, actual sales were up 0.4%.

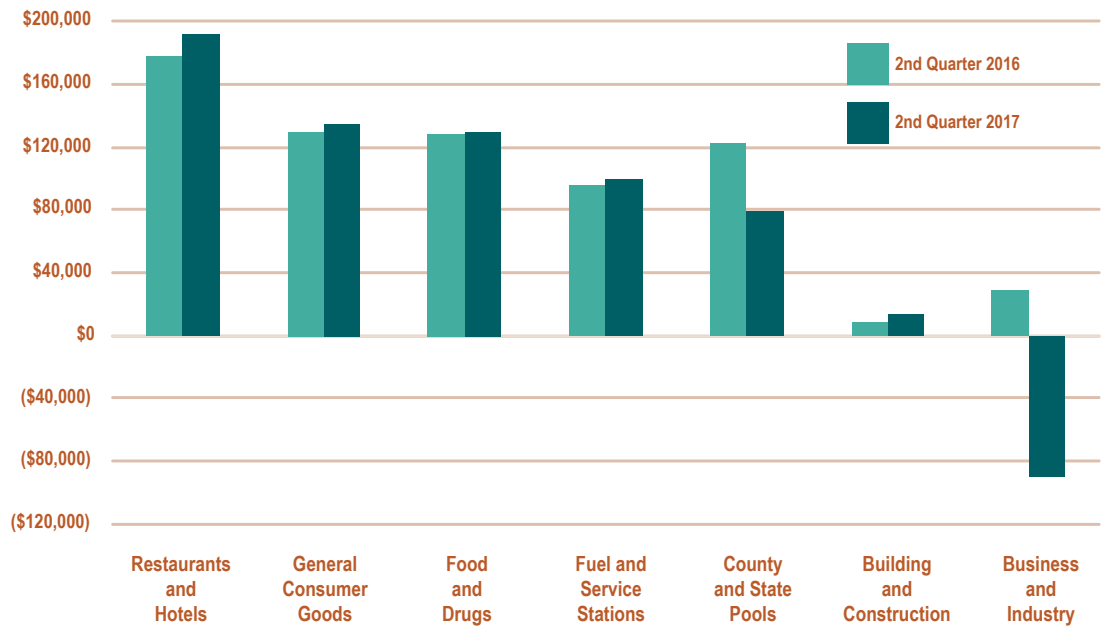
The City received a sizeable business and industry group merchant payment in error last quarter which was corrected in this cycle. This non-recurring negative adjustment is primarily responsible for the decline in sales for the reporting period.

A year-ago large county pool reallocation detrimentally reduced current period pool comparisons and is partially responsible for this quarter's overall drop. Weaker demand yielded a decline in home furnishings.

Modest gains from casual and fine dining restaurants helped offset losses from quick-service establishments. A recent opening of a new retailer propelled gains from general consumer goods; however, sales activity was down at specialty, sporting goods and women's apparel stores. Overall this group outperformed statewide results.

Net of aberrations, taxable sales for all of Santa Clara County grew 0.6% over the comparable time period; the Bay Area was up 2.5%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Amber India Restaurant	Lucky Supermarket
Armadillo Willys BBQ & Cafe	Noodle Talk Restaurant
BevMo	OPA Authentic Greek Cuisine
Cetrella	Pho Vi Hoa Restaurant
Chef Chus	Rite Aid
Draegers Super Market	Safeway
El Camino 76	Steinway
Fiesta Vallarta	Trader Joes
Footwear Etc	True Value Hardware
Grand Petroleum	USA Gas
Kiwi Crate	Walgreens
Los Altos Chevron	Whole Foods Market
Los Altos Grill	

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$570,413	\$484,404
County Pool	121,142	79,675
State Pool	211	(260)
<b>Gross Receipts</b>	<b>\$691,766</b>	<b>\$563,820</b>
Less Triple Flip*	\$0	\$0

\*Reimbursed from county compensation fund

**California Overall**

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

**Where does the Money Go?**

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

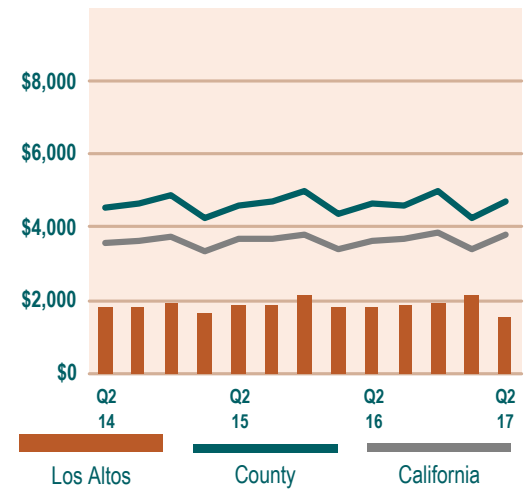
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

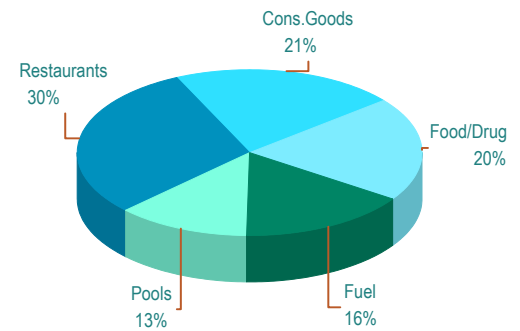
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Los Altos This Quarter



**LOS ALTOS TOP 15 BUSINESS TYPES**

Business Type	Los Altos		County	HdL State
	Q2 '17	Change	Change	Change
Art/Gift/Novelty Stores	— CONFIDENTIAL —	—	-45.3%	-1.9%
Casual Dining	114,457	10.0%	1.1%	2.2%
Convenience Stores/Liquor	— CONFIDENTIAL —	—	11.5%	5.2%
Drug Stores	— CONFIDENTIAL —	—	-0.1%	0.8%
Family Apparel	8,566	-14.6%	0.0%	4.0%
Fast-Casual Restaurants	15,044	1.7%	11.7%	9.5%
Fine Dining	31,719	2.7%	8.8%	12.3%
Grocery Stores	87,751	0.4%	2.9%	2.1%
Home Furnishings	25,042	-7.9%	-8.7%	0.4%
Music Stores	— CONFIDENTIAL —	—	-5.9%	-7.1%
Quick-Service Restaurants	16,895	-6.5%	-0.5%	5.8%
Service Stations	99,394	3.5%	6.8%	8.6%
Specialty Stores	16,176	-10.4%	-6.1%	1.0%
Sporting Goods/Bike Stores	9,224	-16.4%	-9.2%	-15.0%
Women's Apparel	14,564	-3.2%	-10.5%	-4.0%
<b>Total All Accounts</b>	<b>484,404</b>	<b>-15.1%</b>	<b>1.9%</b>	<b>6.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>79,415</b>	<b>-34.6%</b>	<b>-21.4%</b>	<b>-9.9%</b>
<b>Gross Receipts</b>	<b>563,820</b>	<b>-18.5%</b>	<b>-2.2%</b>	<b>4.1%</b>