

# Q2 2018



# City of Buellton Sales Tax *Update*

*Third Quarter Receipts for Second Quarter Sales (April - June 2018)*

## Buellton In Brief

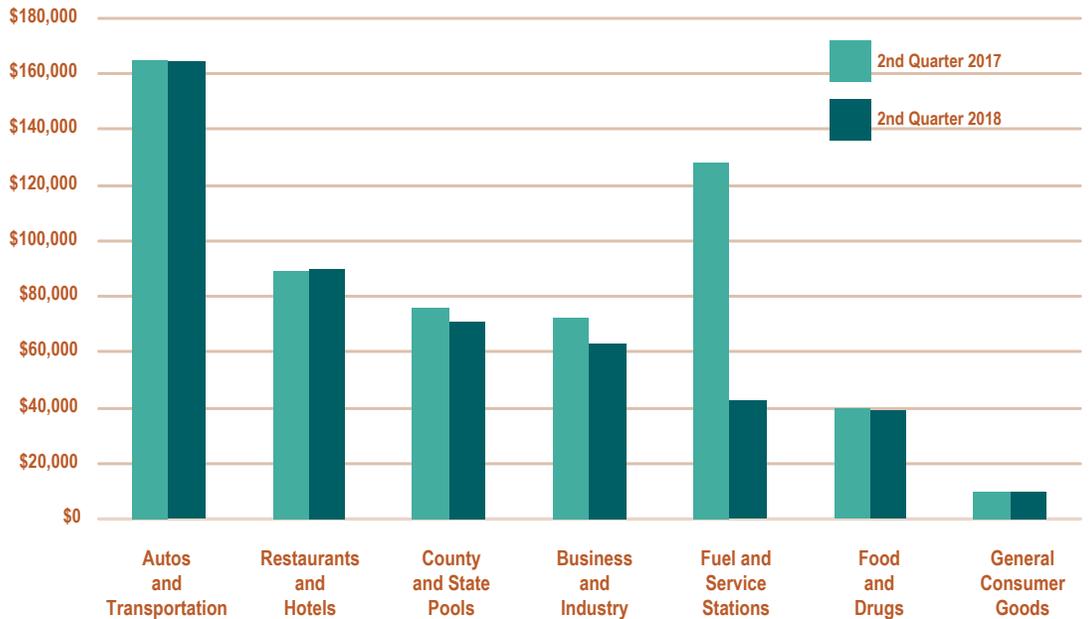
Buellton's receipts from April through June were 16.8% below the second sales period in 2017. However, CDTFA's transition to a new reporting system resulted in multiple returns not processed in the current period for the second quarter in a row. Comparisons in sectors like fuel-service stations and general consumer goods were heavily impacted by the lack of allocations. Including expected remittances and other reporting aberrations, actual sales were up 1.2%.

Once adjusted, steady price increases at the pump, mostly due to the global cost of crude oil and the implementation of SB-1 locally, pushed gas station returns higher, while solid sales by multiple retailers and restaurants further contributed to the overall positive results.

Although auto-transportation receipts remain steady, when compared to a peak period one year ago, total revenue generated declined slightly.

Net of aberrations, taxable sales for all of Santa Barbara County grew 1.4% over the comparable time period; the Central Coast region was down 1.3%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

AJ Spurs Saloon & Dining Hall	McDonalds
Albertsons	O'Reilly Auto Parts
Andersons Pea Soup	Platinum Performance
Cab West/Volvo Leasing	Platinum Performance Vet
Coast Auto Sales	Rio Vista Chevrolet
Conserv Fuel	Santa Ynez Valley Marriott
CVS Pharmacy	Sky River RV
Ellens Danish Pancake House	Taproom & Barrelworks
Farm Supply	Tesoro Refining & Marketing
Go Wireless	The Hitching Post II
Habit Burger Grill	Todd Pipe & Supply
Industrial Eats	Tractor Supply
Jim Vreeland Ford	

### REVENUE COMPARISON

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

	2016-17	2017-18
Point-of-Sale	\$1,968,035	\$1,991,510
County Pool	300,244	323,174
State Pool	1,071	1,166
<b>Gross Receipts</b>	<b>\$2,269,350</b>	<b>\$2,315,850</b>

**California Overall**

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

**Tariff Policies and Sales Tax**

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.

Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most major retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the

initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced \$5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

**SALES PER CAPITA**



**COUNTY OVERALL 2Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	-2.4%	-1.7%
Building and Construction	-11.3%	7.6%
Business and Industry	-17.6%	-1.3%
Food and Drugs	-4.0%	-2.7%
Fuel and Service Stations	-36.9%	4.4%
General Consumer Goods	-8.6%	5.8%
Restaurants and Hotels	-9.1%	-0.3%
County and State Pools	-2.1%	0.8%
<b>Total</b>	<b>-10.6%</b>	<b>1.4%</b>

\*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP**  
Buellton This Quarter

