

# Q3 2018



# City of Oceanside Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

## Oceanside In Brief

Oceanside's receipts from July through September were 31.0% above the third sales period in 2017. Excluding reporting aberrations, actual sales were up 5.4%.

The CDTFA has resolved the bulk of outstanding payments that resulted from the State's software conversion. These multi-quarter adjustments temporarily spiked returns in all business groups and triggered the surge in the countywide use tax allocation pool.

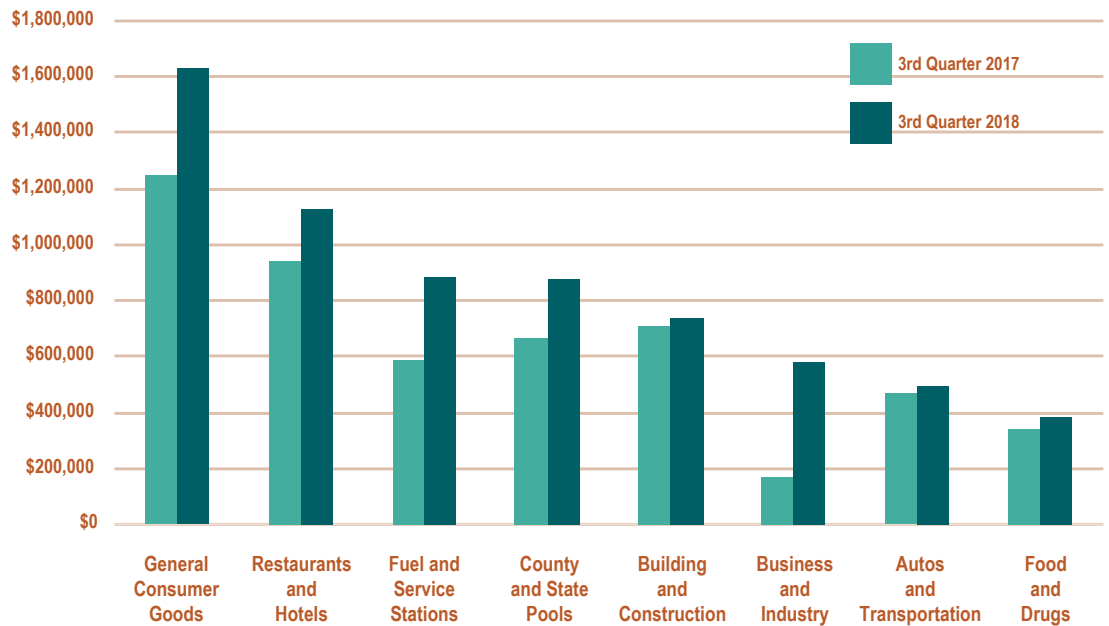
Recent openings in several categories including sporting goods and specialty stores accounted for the actual gain of 5.2% in general retail overall. Once all anomalies were removed, restaurants lagged regional trends while higher prices boosted service station receipts compared to a year ago.

Onetime allocations related to periodic business contracts contributed to the hike in business and industry. Used autos posted outstanding results.

The voter-approved half cent transaction tax, Measure X, becomes effective April 1, 2019.

Net of aberrations, taxable sales for all of San Diego County grew 3.2% over the comparable time period; the Southern California region was up 3.8%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Mohsen Oil
American Import Auto Group	Mossy Nissan
Arco AM PM	MWI Plumbers Supply
Best Buy	Ross
Chevron	Shell
Circle K	Stater Bros
Express Fuel	Symbotic
G&M	Target
Home Depot	Trader Joes
In N Out Burger	Union 76
Kohls	United Oil
Lowe's	Walmart
McDonalds	Supercenter

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$4,463,917	\$5,836,389
County Pool	661,701	877,387
State Pool	3,525	3,034
<b>Gross Receipts</b>	<b>\$5,129,144</b>	<b>\$6,716,810</b>

**California Overall**

The CDTEA's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 4.8% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

**South Dakota V. Wayfair Decision**

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

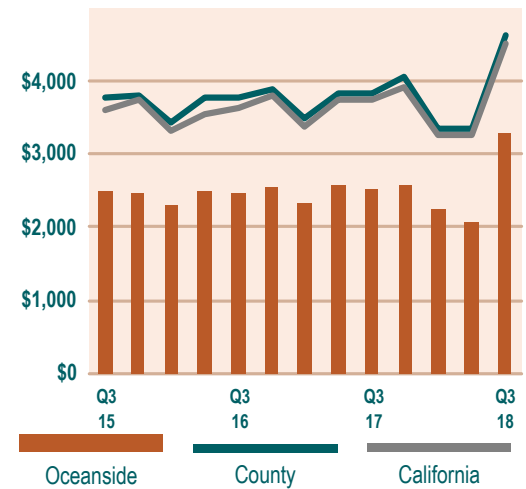
California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

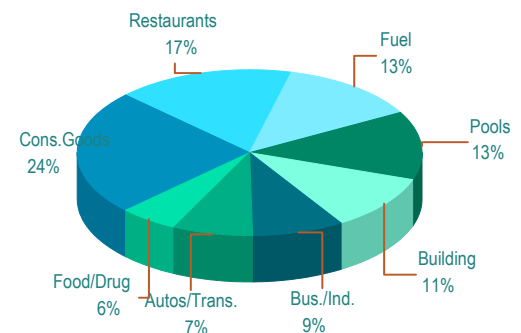
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Oceanside This Quarter



**OCEANSIDE TOP 15 BUSINESS TYPES**

Business Type	<i>*In thousands of dollars</i>			
	Oceanside Q3 '18*	Oceanside Change	County Change	HdL State Change
Automotive Supply Stores	112.0	13.1%	9.1%	9.1%
Building Materials	507.1	34.3%	29.6%	29.7%
Casual Dining	530.2	18.5%	11.3%	14.6%
Contractors	143.5	-50.4%	30.9%	37.5%
Convenience Stores/Liquor	109.5	12.2%	22.5%	20.5%
Discount Dept Stores	— CONFIDENTIAL —		17.1%	18.3%
Electronics/Appliance Stores	190.9	32.0%	18.3%	12.3%
Family Apparel	205.7	58.6%	34.3%	36.4%
Grocery Stores	205.3	15.1%	9.6%	16.1%
Heavy Industrial	— CONFIDENTIAL —		30.3%	29.7%
New Motor Vehicle Dealers	— CONFIDENTIAL —		3.9%	12.7%
Quick-Service Restaurants	486.9	26.3%	17.2%	13.4%
Service Stations	883.6	51.4%	50.1%	43.0%
Specialty Stores	141.1	7.3%	1.7%	8.9%
Sporting Goods/Bike Stores	95.2	45.5%	17.6%	20.8%
<b>Total All Accounts</b>	<b>5,836.4</b>	<b>30.7%</b>	<b>21.1%</b>	<b>21.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>880.4</b>	<b>32.3%</b>	<b>22.6%</b>	<b>27.8%</b>
<b>Gross Receipts</b>	<b>6,716.8</b>	<b>31.0%</b>	<b>21.3%</b>	<b>22.6%</b>