

# Q2 2017



# City of Chico Sales Tax *Update*

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

## Chico In Brief

Chico's receipts from April through June were 8.3% above the second sales period in 2016.

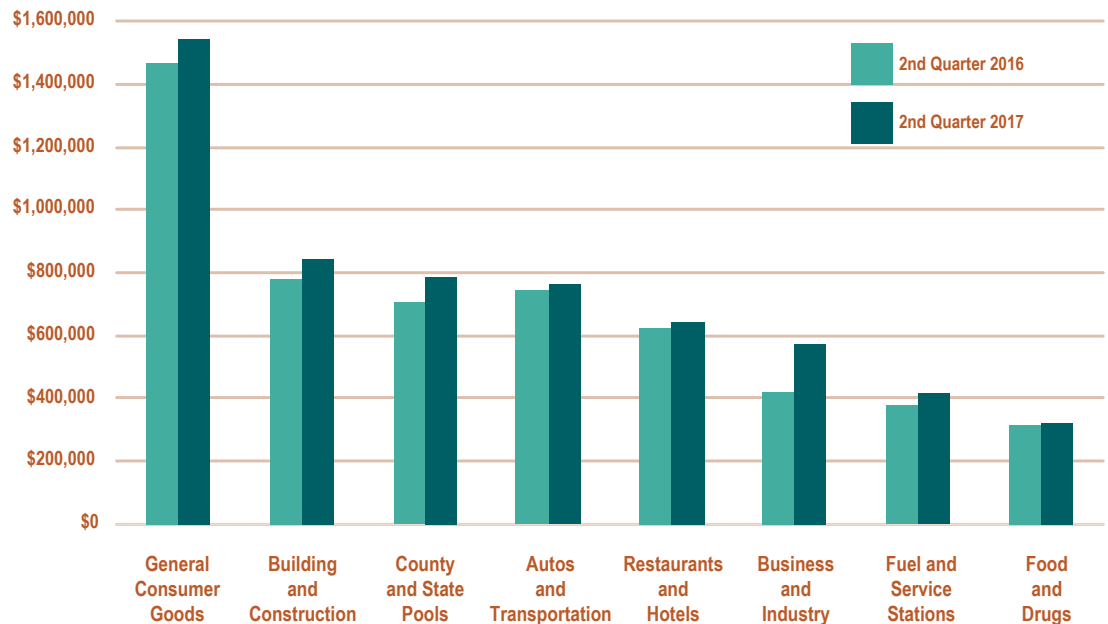
Increased activity by local merchants, a large negative adjustment in the prior year and onetime allocations in the current period contributed to the growth from business-industry. Strong summer sales by multiple plumbing/electrical and material suppliers boosted building-construction.

Solid returns from various categories including department, discount department stores, family apparel and specialty retailers bolstered general consumer goods, while greater variety and creative new concepts improved interest in eating out and therefore positively impacted restaurant receipts.

These increases in point of sale revenue and improved capital and online purchases of items shipped into the region enhanced allocations from the countywide use tax pool, further contributing to the gains.

Net of aberrations, taxable sales for all of Butte County grew 6.0% over the comparable time period; the Far North region was up 3.3%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

AT&T Mobility	JC Penney
Best Buy	Lowe's
Build.Com	Lulus Fashion Lounge
Chico Nissan/Hyundai	MJB Welding Supply
Chico Volkswagen	Northgate Petroleum
Chuck Patterson Toyota/Dodge	Payless Building Supply
Costco	Ross
Courtesy Automotive Center	Safeway
Ed Wittmeier Ford Lincoln	Safeway Fuel
Ferguson Enterprises	Target
Home Depot	Walmart Supercenter
Hunt & Sons	Wizard Manufacturing
	Zones

### REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$18,326,839	\$19,159,011
County Pool	2,700,871	3,212,933
State Pool	10,611	10,580
Gross Receipts	\$21,038,321	\$22,382,524
Cty/Cnty Share	(1,051,916)	(1,119,126)
Net Receipts	\$19,986,405	\$21,263,398
Less Triple Flip*	\$(2,557,975)	\$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

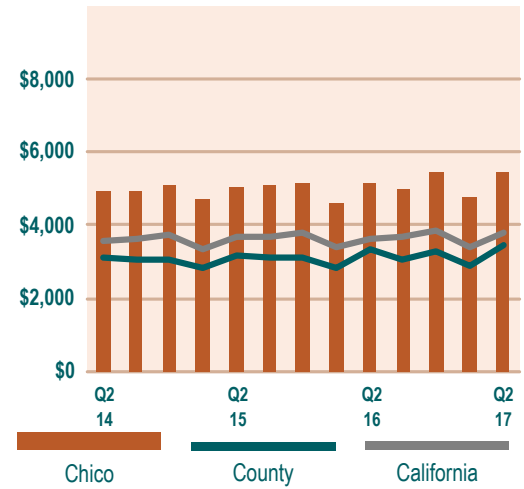
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

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.

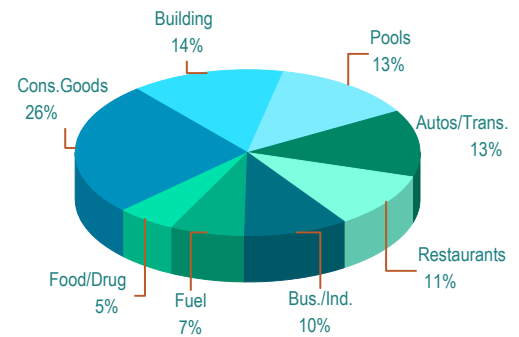
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has 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**  
Chico This Quarter



**CHICO TOP 15 BUSINESS TYPES**

*\*In thousands of dollars*

Business Type	Chico		County	HdL State
	Q2 '17*	Change	Change	Change
Building Materials	430.2	6.6%	5.7%	6.0%
Casual Dining	356.5	1.3%	-0.2%	2.0%
Department Stores	92.5	6.4%	7.3%	-2.3%
Discount Dept Stores	508.6	4.4%	3.5%	3.2%
Electronics/Appliance Stores	175.6	6.6%	6.5%	0.3%
Family Apparel	219.3	24.7%	22.2%	4.0%
Grocery Stores	180.5	2.0%	2.8%	2.1%
Home Furnishings	103.0	-15.3%	-13.6%	0.5%
New Motor Vehicle Dealers	523.3	9.0%	7.0%	3.2%
Office Equipment	— CONFIDENTIAL —		na	4.2%
Petroleum Prod/Equipment	118.0	6.7%	7.2%	23.6%
Plumbing/Electrical Supplies	325.1	10.8%	12.3%	3.7%
Quick-Service Restaurants	207.1	3.9%	4.2%	5.9%
Service Stations	300.3	12.0%	11.0%	8.6%
Specialty Stores	110.2	17.0%	10.2%	1.0%
<b>Total All Accounts</b>	<b>5,100.1</b>	<b>7.8%</b>	<b>4.7%</b>	<b>6.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>787.5</b>	<b>11.7%</b>	<b>8.5%</b>	<b>-9.9%</b>
<b>Gross Receipts</b>	<b>5,887.7</b>	<b>8.3%</b>	<b>5.2%</b>	<b>4.1%</b>
City/County Share	(294.4)	-8.3%		
<b>Net Receipts</b>	<b>5,593.3</b>	<b>8.3%</b>		