

# Q1 2011



# City of Rocklin Sales Tax *Update*

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

## Rocklin In Brief

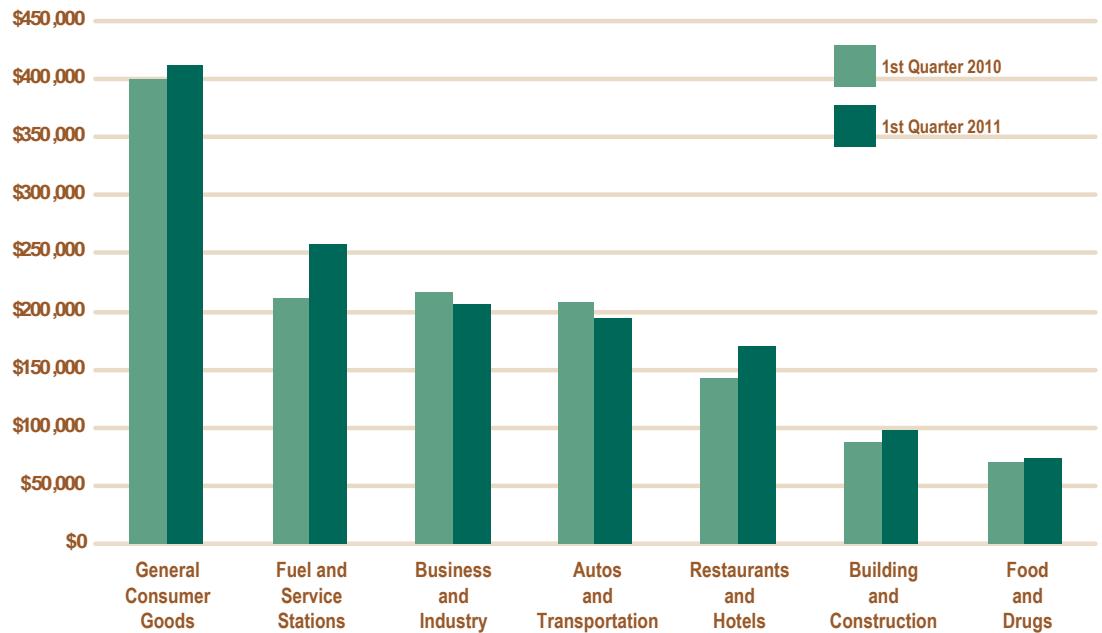
Receipts for Rocklin's January through March sales were 4.9% higher than the same quarter one year ago. Actual sales increased 10.8% after accounting anomalies were excluded.

Higher prices that lifted postings from service stations and bulk petroleum retailers, combined with a one-time use tax allocation for purchase of electrical equipment, were major factors for the increase. Recent additions helped sporting goods and restaurants-beer & wine, but payment anomalies overstated gains from both the latter and restaurants-liquor. Postings were up from contractor supplies and the heavy industrial sector.

Accounting events that inflated last year's returns depressed results from new car dealers and specialty stores. The combination of onetime and double-up payments in the year ago period, a business closeout and a negative adjustment in the current quarter depressed business & industry group totals.

Adjusted for reporting deviations, sales and use tax receipts for all of Placer County grew by 8.0% over the comparable time period; the Sacramento Region, as a whole, was up 6.3%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

7 Eleven	R C Willey Home Furnishings
American Furniture Gallery	Rocklin Gas
Arco AM PM Mini Mart	Safeway
Chevron - Gasoline Sales	Safeway Gasoline Sales
Dawson Oil	Sierra College Bookstore
Direct Buy	SMA Solar Technology
Harbor Freight Tools	Sportsmans Warehouse
Johl Petroleum	Sunset Park AM PM
K Mart	Tasq Technology
Land Rover Rocklin	Tri Pacific Supply
Lucilles	Verizon Wireless Network Procmnt
Mercedes Benz of Rocklin	
Niello Porsche	
Oracle America	

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2009-10	2010-11
<b>Point-of-Sale</b>	\$5,368,637	\$5,710,537
<b>County Pool</b>	557,540	543,290
<b>State Pool</b>	4,674	2,553
<b>Gross Receipts</b>	<b>\$5,930,851</b>	<b>\$6,256,379</b>
<b>Less Triple Flip*</b>	<b>\$(1,482,713)</b>	<b>\$(1,564,095)</b>

\*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.

## ROCKLIN TOP 15 BUSINESS TYPES

Business Type	Rocklin		County	HdL State
	Q1 '11*	Change	Change	Change
Automotive Supply Stores	27.1	3.6%	6.9%	5.9%
Contractors	51.3	13.6%	-20.8%	2.3%
Electrical Equipment	56.1	150.6%	31.3%	10.1%
Electronics/Appliance Stores	25.0	-1.4%	0.7%	11.9%
Grocery Stores Liquor	39.1	-3.0%	-0.6%	-12.5%
Heavy Industrial	53.7	19.8%	14.7%	16.9%
Home Furnishings	206.9	1.8%	-13.8%	5.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —		17.4%	19.9%
Petroleum Prod/Equipment	43.4	37.5%	74.9%	35.9%
Restaurants Beer And Wine	46.6	36.8%	-10.7%	-3.3%
Restaurants Liquor	42.2	34.6%	19.2%	8.3%
Restaurants No Alcohol	76.7	4.5%	5.8%	8.6%
Service Stations	214.2	19.4%	17.0%	19.8%
Specialty Stores	41.8	-12.3%	-5.0%	3.1%
Sporting Goods/Bike Stores	55.0	35.1%	1.1%	3.5%
<b>Total All Accounts</b>	<b>\$1,412.7</b>	<b>5.7%</b>	<b>8.1%</b>	<b>7.5%</b>
<b>County &amp; State Pool Allocation</b>	<b>124.7</b>	<b>-2.9%</b>		
<b>Gross Receipts</b>	<b>\$1,537.4</b>	<b>4.9%</b>		<i>*In thousands</i>