

# Q2 2012



# City of Aliso Viejo Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2012)

## Aliso Viejo In Brief

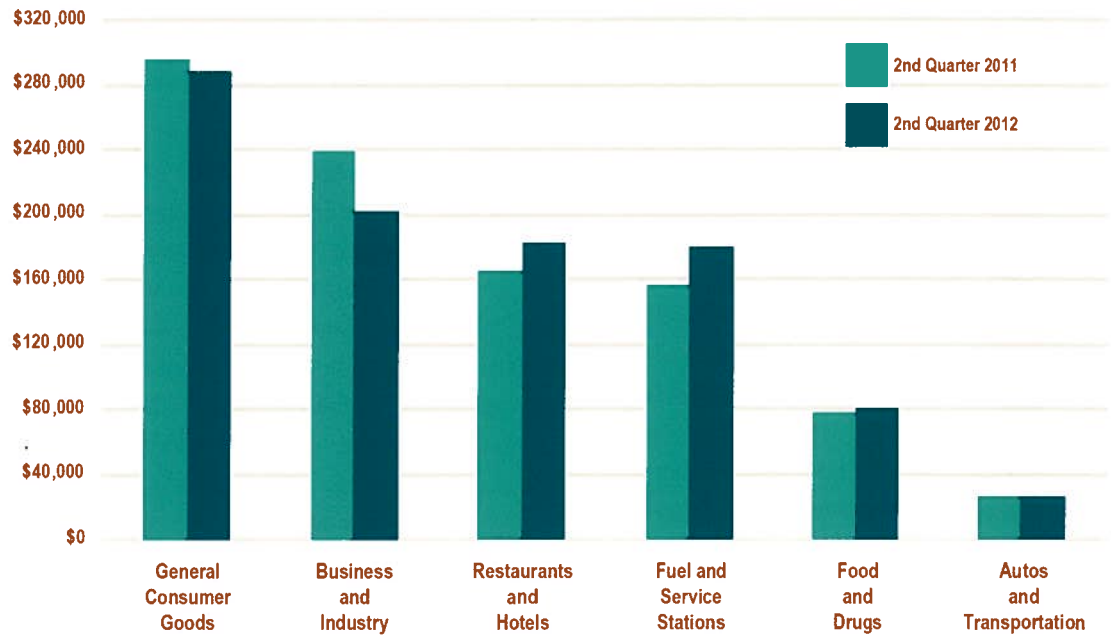
Receipts for Aliso Viejo's April through June sales were 6.4% higher than the same quarter one year ago. Actual sales activity was up 7.6% when reporting aberrations were factored out.

Service stations posted sales increases; however, the gain was cut by double payments that inflated the comparison quarter. Payment anomalies that temporarily lifted the year-ago period also offset the overall increase from the restaurant group.

An accounting adjustment that temporarily depressed the results from the office supplies category offset increases from medical/biotech supplies, electrical equipment, and office equipment. Losses from specialty stores and other categories of general consumer goods negated the gains from family apparel, home furnishings, and novelty stores.

Adjusted for aberrations, taxable sales for all of Orange County increased 6.6% over the comparable time period, while the Southern California region as a whole was up 7.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

Aqueduct	Petsmart
Barnes & Noble	Qlogic
Buffalo Wild Wings	Quest Software
Buy.Com	Ralphs
Chevron	Restaurants on the Run
Chevron All Hands Car Wash	Shell
Circle K	Shell
Circle K 76	Staples
CVS Pharmacy	Stater Bros
Digital Networks Group	Target
El Dorado Hand Car Wash	TJ Maxx
Freeway Mobil	Trader Joes
Lowe's	

### REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$1,028,438	\$1,090,955
County Pool	100,937	109,063
State Pool	(600)	1,076
<b>Gross Receipts</b>	<b>\$1,128,776</b>	<b>\$1,201,094</b>
Less Triple Flip*	\$(282,194)	\$(300,274)

\*Reimbursed from county compensation fund

**Statewide Results**

Net of payment aberrations, second quarter retail sales were 7.5% higher than the same period one year earlier.

Purchases of new automobiles, spurred by low interest rates, easy credit and manufacturers' incentives, outpaced first quarter growth and generated 22% of the total increase. Business-to-business sales reflected strength in a number of sectors, notably heavy industrial, business services and equipment for energy related projects. Restaurant and hotel receipts grew by 8.6%, outpacing all other industry groups except autos and transportation. Family apparel sales were strong but weak electronics/appliances returns and lackluster results from department stores and big box discounters held general consumer group gains to a modest 3.9%. Flattening fuel prices and ongoing weakness in lumber and building materials sales also restrained overall results.

**Outlook for the Year**

The momentum for the recovery is slowing and has recently prompted another round of "quantitative easing" by the Federal Reserve Board in an effort to reinvigorate the housing market and spur business investment by keeping interest rates low. Retail growth in California, which fell further than the nation as a whole during the "Great Recession," may outpace the nation going forward but stubborn unemployment, nearly static income levels, and cautious business spending will keep overall sales at moderate levels at least through 2014-15.

**Sales Tax from On-line Retailers**

AB 155, which was passed last year as a compromise with Amazon.com went into effect on September 15. While the bill expanded the state's ability to require the collection of tax

on out-of-state sales, local agencies expecting immediate revenue gains will be disappointed.

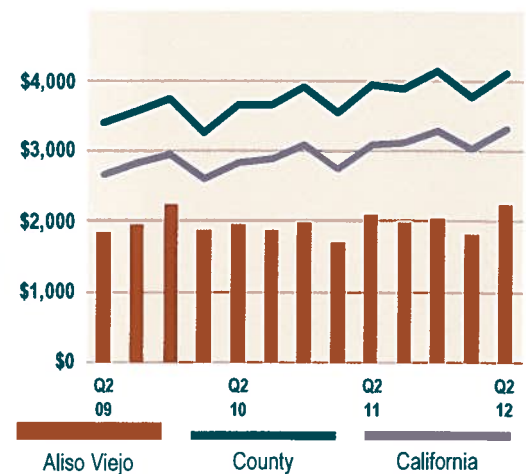
Federal case law continues to provide that remote sellers without nexus in a state are not required to collect that state's sales tax. Amazon agreed not to contest AB 155's definition of nexus which includes remote sellers who have annual sales in California of one million dollars or more and who have an in-state affiliate that provides services in connection with the remote seller's sales if those connected sales exceed \$10,000 per year.

The Board of Equalization's initial estimate was that the legislative change would raise approximately \$38.2 million in one-cent local revenues. However since then, Amazon which was a significant portion of the estimate has decided to build distribution facilities in California which will divert the revenues to the hosting jurisdictions. Other remote sellers, such as Overstock.com, have announced that

they will simply drop their in-state affiliates to avoid collecting the tax.

The Board of Equalization expects to add up to 100 staff positions over the next three years to enforce the new provisions. However, at least initially, local governments should not expect annual revenues of more than \$0.25 per capita and the ultimate solution continues to be federal legislation that eliminates the nexus prohibition and levels the playing field for all retailers.

**SALES PER CAPITA**



**ALISO VIEJO TOP 15 BUSINESS TYPES**

Business Type	Aliso Viejo		County	HdL State
	Q2 '12*	Change	Change	Change
Business Services	34.6	-38.5%	4.8%	-9.3%
Discount Dept Stores	— CONFIDENTIAL —		5.5%	3.7%
Drug Stores	— CONFIDENTIAL —		5.0%	3.4%
Electrical Equipment	63.1	16.8%	0.4%	-5.7%
Electronics/Appliance Stores	63.1	-1.1%	-10.8%	-2.3%
Family Apparel	46.4	11.4%	9.0%	8.8%
Grocery Stores Liquor	50.6	6.6%	2.8%	4.2%
Lumber/Building Materials	— CONFIDENTIAL —		15.5%	20.5%
Office Equipment	29.1	34.6%	-11.2%	27.2%
Office Supplies/Furniture	39.8	-48.3%	7.5%	-13.0%
Restaurants Beer And Wine	29.4	-15.3%	-0.2%	0.4%
Restaurants Liquor	51.7	21.4%	7.9%	11.2%
Restaurants No Alcohol	81.1	19.2%	11.0%	8.0%
Service Stations	173.6	14.9%	-1.4%	2.3%
Specialty Stores	24.8	-14.6%	9.0%	2.2%
<b>Total All Accounts</b>	<b>\$1,091.0</b>	<b>6.1%</b>	<b>4.8%</b>	<b>6.7%</b>
<b>County &amp; State Pool Allocation</b>	<b>110.1</b>	<b>9.8%</b>		
<b>Gross Receipts</b>	<b>\$1,201.1</b>	<b>6.4%</b>		<i>*In thousands</i>