

# Q1 2017



# City of Aliso Viejo Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

## Aliso Viejo In Brief

Aliso Viejo's allocation of sales and use tax from its January through March sales was 22.1% higher than the first quarter of 2016.

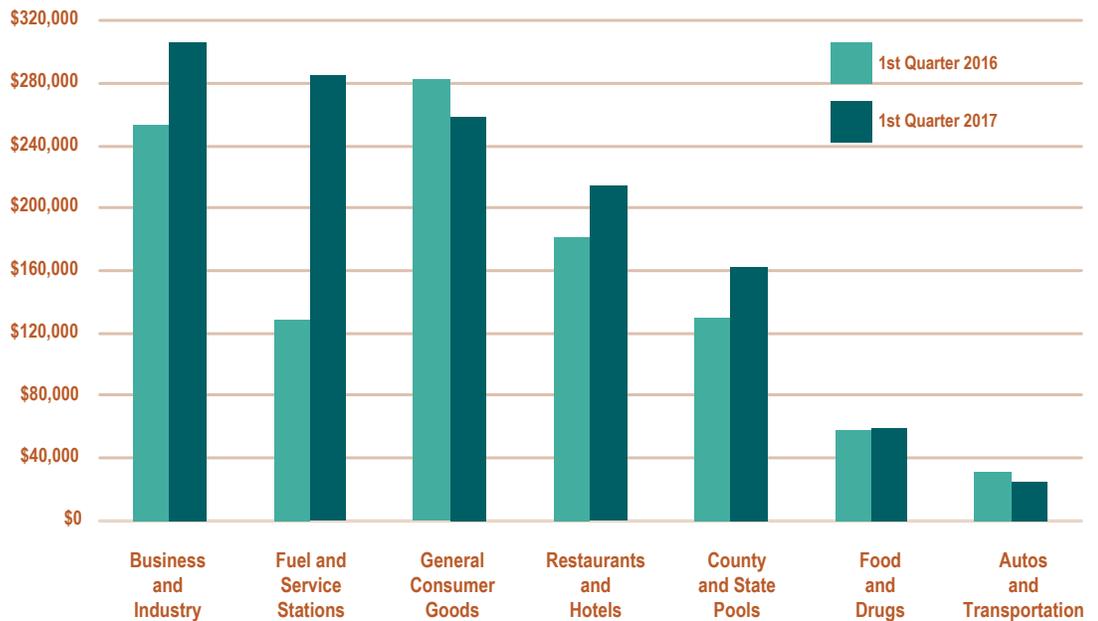
A healthy quarter for several categories of business-industrial sales and purchases plus a previous addition to the fuel-service station group were the primary contributors to the overall gain.

The increase further boosted Aliso Viejo's share of the countywide allocation pool which is derived of use tax on out-of-state purchases, lease payments, private party vehicle transactions, and on-site installation sales. Aliso Viejo generated 0.9% of all taxable sales in Orange County during the quarter and thereby received 0.9% of the county pool revenue.

Declines in some categories of general consumer goods partially offset the overall gains. Restaurant receipts were temporarily inflated by onetime accounting anomalies.

Adjusted for aberrations, sales and use tax receipts for all of Orange County grew 2.3% over the comparable time period while Southern California as a whole, was up 2.0%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76 Aliso Creek	Metagenics
Agilent Technologies	Petsmart
Aliso Creek Chevron	Qlogic
Aliso Creek Shell	Renaissance Clubsport
All Hands Car Wash/ Chevron	Restaurants on the Run
Ambry Genetics	Shell
Barnes & Noble	Stadium Brewing
Circle K/Mobil	Staples
CVS Pharmacy	Stater Bros
Digital River	Target
eFuel	TJ Maxx
Homewood Suites	Trader Joes
Lowes	

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$3,849,310	\$5,284,310
County Pool	479,137	837,622
State Pool	1,938	4,099
<b>Gross Receipts</b>	<b>\$4,330,385</b>	<b>\$6,126,031</b>
Less Triple Flip*	\$(798,986)	\$0

\*Reimbursed from county compensation fund

**Statewide Results**

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

**New Sales Tax Organization**

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

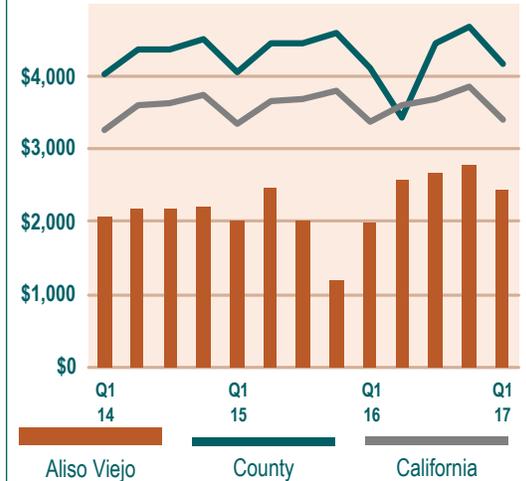
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

**SALES PER CAPITA**



**COUNTY OVERALL  
1Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Actual*
Autos and Transportation	2.1%	4.1%
Building and Construction	1.6%	-1.2%
Business and Industry	0.5%	-0.6%
Food and Drugs	0.7%	-0.9%
Fuel and Service Stations	14.9%	11.0%
General Consumer Goods	-2.0%	-0.9%
Restaurants and Hotels	3.7%	3.3%
County and State Pools	4.4%	6.2%
<b>Total</b>	<b>2.2%</b>	<b>2.3%</b>

\*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP  
Aliso Viejo This Quarter**

