

Q2 2019



Pacific Grove Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

Pacific Grove In Brief

Pacific Grove's receipts from April through June were 54.8% above the second sales period in 2018 as late/missing payments caused by the State's online reporting system and other reporting issues inflated cash. Excluding these items, actual receipts were up 12.1%.

Focusing on actual sales results for this period, casual dining activity increased while an unusual reporting pattern by one venue further boosted receipts. The City also benefited from an increase in online sales and other transactions that inflated the countywide use tax pool, increasing the City's allocation.

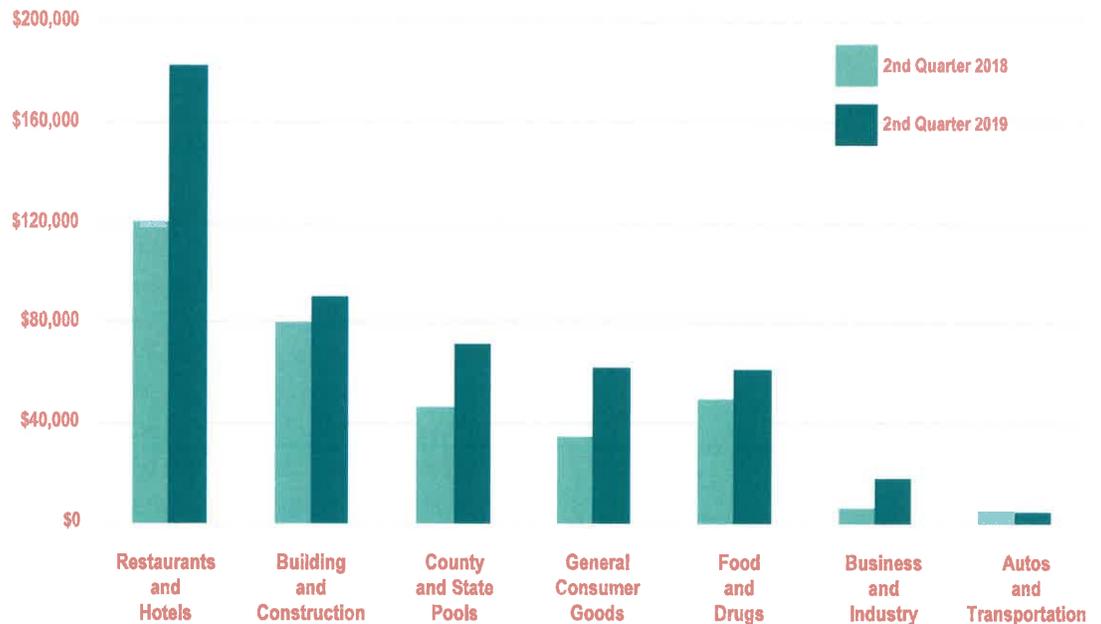
Food/drug group receipts reflect the prior opening of a new outlet while growing retail sales are boosting business and industry receipts.

Partially dampening these results were general consumer good sales that couldn't match last year's totals and a slight drop in construction activity.

Measure U generated \$595,913 this quarter, an increase of 4.1% when reporting issues are discounted.

Net of adjustments, taxable sales for all of Monterey County grew 3.5% over the comparable time period while those of the entire Central Coast region were up 2.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	One Stop Chevron Gas & Food Mart
Aqua Terra Culinary	Pacific Grove 76 & Smog
Asilomar Conference Center	Pacific Grove Shell
Beach House at Lovers Point	Passionfish
Fandango	Pebble Beach Market
First Awakenings	Pendleton Woolen Mills
Fishwife	Peppers Mexicali Cafe
Forest Hill Shell	Rite Aid
Hayward Lumber	Safeway
Il Vecchio	Trader Joes
La Creme Monterey	Visions Design Center
Lucky	
Monarch Pub & Restaurant	
Mum's Place	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2017-18	2018-19
Point-of-Sale	\$1,401,230	\$1,645,737
County Pool	195,056	232,784
State Pool	811	812
Gross Receipts	\$1,597,097	\$1,879,333
Measure U	\$1,900,774	\$2,323,344

California Overall

The local one percent share of California’s sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client’s sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California’s approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state’s sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

SALES PER CAPITA



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

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	-6.5%	-7.7%
Building and Construction	35.3%	0.5%
Business and Industry	49.3%	8.2%
Food and Drugs	15.8%	4.0%
Fuel and Service Stations	132.6%	-2.2%
General Consumer Goods	16.4%	-0.3%
Restaurants and Hotels	29.2%	11.6%
County and State Pools	27.9%	15.5%
Total	28.6%	3.5%

*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP
Pacific Grove This Quarter**

