

# Q1 2015



# Newport Beach Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2015)

## Newport Beach In Brief

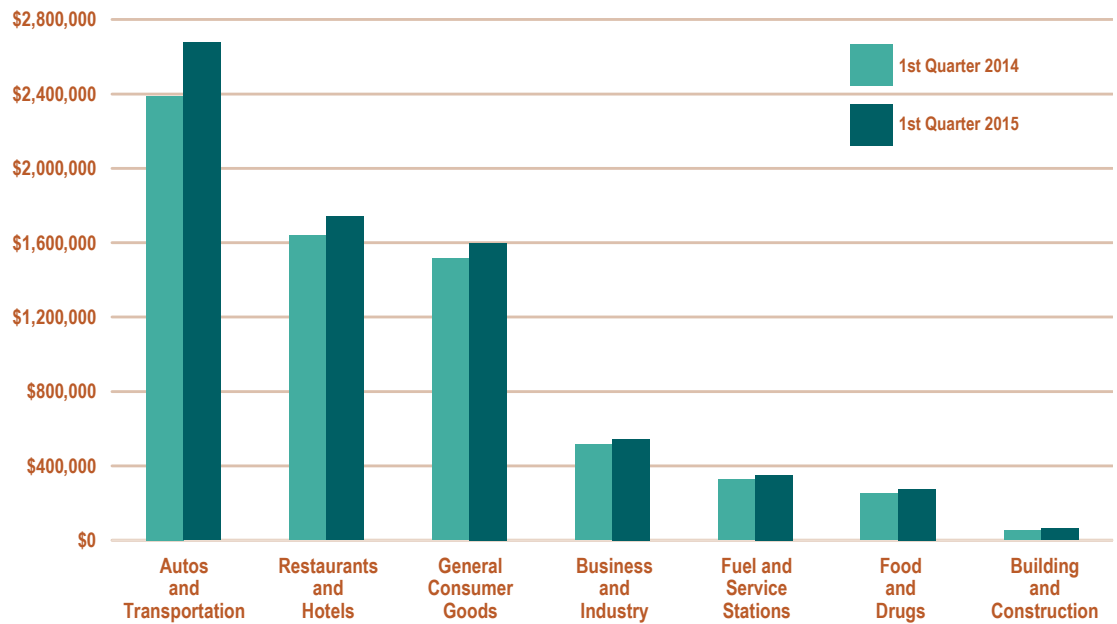
Receipts for Newport Beach's January through March sales were 8.8% higher than the same quarter one year ago.

Autos and transportation posted higher receipts from car sales and leases, boats and motorcycles, and transportation and rentals. Restaurants and hotels also experienced strong sales, with receipts lifted in part by new eateries.

Gains from women's apparel, specialty stores, home furnishings, and electronics contributed to the overall increase from general consumer goods. Strong sales from office equipment helped lift the business and industry sector. In addition, service stations, grocery stores, and contractor supplies posted sales increases.

Adjusted for aberrations, taxable sales for all of Orange County increased 1.9% over the comparable time period, while the Southern California region as a whole was up 3.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



## REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$21,141,101	\$22,963,732
County Pool	2,454,164	2,801,575
State Pool	13,997	14,165
<b>Gross Receipts</b>	<b>\$23,609,262</b>	<b>\$25,779,471</b>
Less Triple Flip*	\$(5,902,316)	\$(6,444,868)

\*Reimbursed from county compensation fund

**California as a Whole**

Local one cent tax receipts from sales occurring January through March rose 3.65% over 2014's comparable quarter after adjusting for reporting anomalies.

An exceptionally strong quarter for auto sales/leases and restaurants was the primary contributor to the overall increase. A rise in building-construction materials was also a factor although much of this growth came from specific office and sports facility projects in Northern California.

Gains from sales of general consumer goods were primarily in value priced clothing, home furnishings and specialty retail which includes pet supplies and cosmetics. Online shopping involving goods shipped from out of state continues to shift a major portion of the growth in general consumer goods to the countywide pools.

The statewide gains were largely offset by a 21% decline in receipts from fuel and service stations.

**Tax on Services**

The Board of Equalization has released an estimate that levying sales and use tax on services would raise over \$122.5 billion in state and local revenues or enough to lower the overall tax rate to under 4%.

Originally imposed in 1933 as a 2 1/2% tax with only three exemptions, the legislature has gradually exempted more and more goods from the sales tax while raising rates to compensate for the corresponding revenue loss. This and the state's shift from a manufacturing to service economy has created the nation's highest sales tax rate on the narrowest basket of goods.

Although more discussion is needed, there is interest in expanding the sales tax to services and lowering the rate to make the tax less regressive and

more competitive while providing greater flexibility in the development of local tax bases.

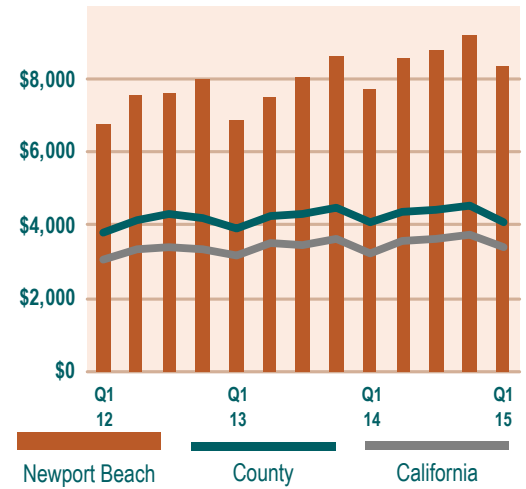
**Tax on Jet Fuel**

The Federal Aviation Administration has ruled that sales taxes on jet fuel must only be used for airport and aviation programs. The rule applies to taxes levied after 1987 but is unclear as to transactions tax districts, Proposition 172 revenues, or revenues collected by jurisdictions without airports. Clarification will not be available until FAA review and approval of a plan that has to be submitted by the state Department of Finance by December 8, 2015.

**Tax on Marijuana**

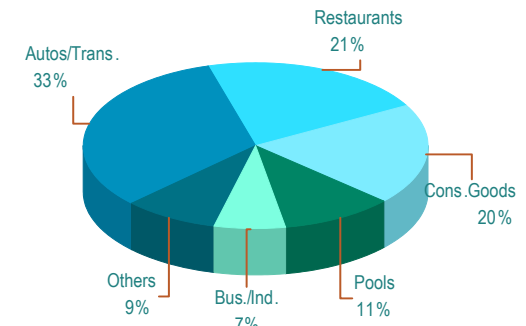
A pilot study for more effective tracking and collection of sales taxes on medical cannabis is underway in the central and northern California districts. Because current registration policy allows a "decline to state" to avoid self-incrimination, the precise number of cannabis retailers is unknown. BOE findings are expected by November 2015.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

Newport Beach This Quarter



**NEWPORT BEACH TOP 15 BUSINESS TYPES**

Business Type	*In thousands			
	Newport Beach Q1 '15*	Newport Beach Change	County Change	HdL State Change
Auto Lease	510.0	5.2%	12.1%	21.5%
Casual Dining	625.0	0.1%	4.5%	5.6%
Department Stores	533.0	4.4%	3.0%	2.0%
Family Apparel	180.8	4.6%	11.8%	9.8%
Fast-Casual Restaurants	109.8	18.4%	12.8%	12.9%
Fine Dining	439.6	13.4%	15.0%	16.4%
Grocery Stores Liquor	133.5	3.6%	4.4%	5.0%
Home Furnishings	156.4	19.5%	10.4%	8.2%
Hotels-Liquor	339.6	6.6%	14.0%	9.5%
New Motor Vehicle Dealers	1,806.4	8.9%	9.0%	11.1%
Quick-Service Restaurants	131.6	10.5%	10.3%	10.5%
Service Stations	377.4	17.9%	-20.0%	-21.9%
Specialty Stores	142.2	14.0%	5.0%	9.8%
Transportation/Rentals	195.1	70.6%	11.8%	7.6%
Women's Apparel	197.3	5.0%	0.8%	1.7%
<b>Total All Accounts</b>	<b>\$7,291.5</b>	<b>9.0%</b>	<b>1.3%</b>	<b>3.6%</b>
<b>County &amp; State Pool Allocation</b>	<b>\$864.9</b>	<b>7.0%</b>	<b>-0.6%</b>	<b>1.1%</b>
<b>Gross Receipts</b>	<b>\$8,156.4</b>	<b>8.8%</b>	<b>1.1%</b>	<b>3.3%</b>