

# Q2 2015



# Newport Beach Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2015)

## Newport Beach In Brief

Newport Beach's receipts from April through June were 2.1% above the second sales period in 2014.

Strong sales for new motor vehicle dealers, auto leases and several categories of the business and industry sector were primarily responsible for the current increase. Recent additions helped boost revenues from casual dining restaurants.

The gains were partially offset by onetime accounting adjustments that inflated returns in the year-ago period and caused the drops in women's apparel and boats/motorcycles. The decline in receipts from lower fuel prices at the pump was offset by the correction of a previous reporting error.

Net of aberrations, taxable sales for all of Orange County grew 2.8% over the comparable time period; the Southern California region was up 3.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



## REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$28,583,736	\$30,479,985
County Pool	3,281,400	3,726,724
State Pool	19,617	20,453
<b>Gross Receipts</b>	<b>\$31,884,753</b>	<b>\$34,227,162</b>
Less Triple Flip*	\$(7,971,188)	\$(8,556,790)

\*Reimbursed from county compensation fund

**Statewide Sales Tax Trends**

Excluding accounting aberrations, the local one cent share of statewide sales occurring April through June was 3.4% higher than the comparable quarter of 2014.

Receipts from the countywide use tax allocation pools accounted for the largest portion of the increase reflecting a continuing shift in consumer preferences from brick and mortar stores to online shopping for merchandise shipped from out of state.

Sales and leases of new cars continued to post impressive gains as did contractor supplies and restaurants. Overall gains were offset by a 17.1% decline in receipts from service stations and petroleum related industries.

**The Remaining Fiscal Year**

The state's unemployment rate continues to decline and real disposable income is expected to grow 2.5% to 3.0% in the second half of 2015. This improvement in incomes coupled with easy credit conditions should stimulate an increase in housing starts as well as capital investment in equipment, alternate energy and technology.

The auto industry is anticipating continuing strong sales until tapering to more sustainable levels in 2016-2017. Building and construction, the only retail segment yet to return to pre-recession levels, is gaining momentum in several regions and is expected to account for 10% of sales tax growth in the second half of the fiscal year.

Restaurant sales continue to rise although there are some concerns that the strong dollar may impact sales in areas that cater to tourists from abroad. Gains from consumer goods are expected to be modest with the strong dollar cutting prices of imported goods and an ongoing shift in consumer spending from tangible goods to services, entertainment and other non-taxable purchases.

Gasoline prices remain well below the previous year due to a worldwide glut

of oil. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the first half of 2015-16 but begin rebounding in the second half.

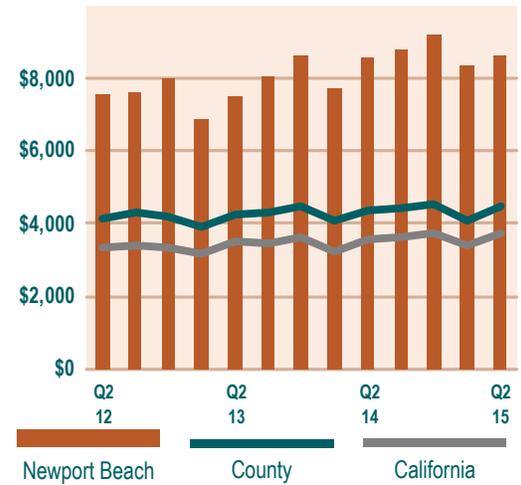
**Internet Sales Tax Proposal**

HR 2775 (The Remote Transaction Parity Act) is a new proposal by Representative Jason Chaffetz (R-Utah) authorizing states to require remote sellers without physical presence in their state to collect state and local sales tax from in-state buyers.

The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under \$5 million, and requires states to provide software to enable remote sellers to collect and remit their tax.

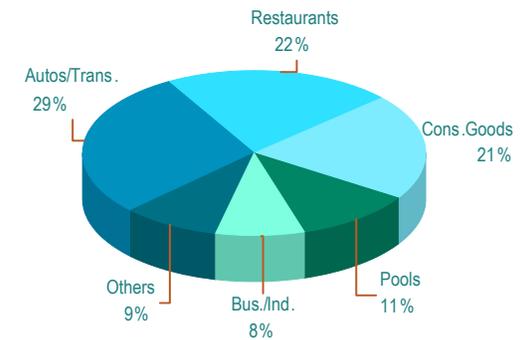
The Board of Equalization estimates that local governments in California currently lose approximately \$44 per capita in uncollected sales and use tax on e-commerce purchases.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

Newport Beach This Quarter



**NEWPORT BEACH TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Newport Beach Q2 '15*	Newport Beach Change	County Change	HdL State Change
Auto Lease	537.8	10.5%	21.7%	28.4%
Casual Dining	689.9	6.6%	6.4%	6.3%
Department Stores	594.3	-1.5%	-2.5%	-2.1%
Family Apparel	200.8	-1.8%	2.1%	2.8%
Fast-Casual Restaurants	114.8	7.7%	6.3%	9.8%
Fine Dining	415.3	4.1%	13.0%	11.6%
Grocery Stores Liquor	186.7	5.8%	4.4%	3.5%
Home Furnishings	158.3	-18.3%	13.9%	7.4%
Hotels-Liquor	342.8	10.7%	4.2%	3.0%
Medical/Biotech	130.0	8.1%	0.0%	-3.5%
New Motor Vehicle Dealers	1,689.8	5.9%	6.5%	9.2%
Quick-Service Restaurants	143.6	10.4%	9.2%	9.1%
Service Stations	405.4	0.9%	-8.1%	-11.7%
Specialty Stores	151.7	4.3%	7.6%	5.5%
Women's Apparel	225.7	-17.7%	-2.8%	-3.7%
<b>Total All Accounts</b>	<b>7,516.3</b>	<b>1.0%</b>	<b>2.8%</b>	<b>2.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>931.4</b>	<b>11.8%</b>	<b>13.8%</b>	<b>11.8%</b>
<b>Gross Receipts</b>	<b>8,447.7</b>	<b>2.1%</b>	<b>3.9%</b>	<b>3.8%</b>