

Q1 2018



City of Diamond Bar Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2018)

Diamond Bar In Brief

Diamond Bar's receipts from January through March were 4.2% below the first sales period in 2017. Excluding reporting aberrations, actual sales were down 2.0%.

A soft sales quarter by business-industrial merchants were mostly responsible for the overall drop in receipts, while the temporary closure of a quick-service restaurant for remodeling also hurt results.

The implementation of a new taxpayer reporting software by CDTFA negatively impacted countywide use tax pool allocations. Taxpayer remittances that were not incorporated into the current quarterly returns by CDTFA are anticipated to be received next quarter.

The recent openings at the Diamond Bar Ranch boosted family apparel, fast casual eateries and grocery store returns, partially offsetting the losses. Once adjusted for reporting anomalies, higher gas prices continued to lift service station revenue.

Net of aberrations, taxable sales for all of Los Angeles County grew 4.4% over the comparable time period; the Southern California region was up 5.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Grand Mobil
Albertsons	Graybar Electric
American Standard	In N Out Burgers
Arco AM PM	Luoshan Int'l
Bedshe International	McDonald's
California Integrated Solutions	Pho Ha Plus
Chevron	Restaurant Depot
Chilis	Ross
Color Marble Commercial Projects	Sams Mobil
CVS Pharmacy	Smart & Final
Del Taco	Target
Diamond Bar Shell	Trident Supply
	Walmart Neighborhood Market

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$4,327,377	\$4,358,921
County Pool	616,138	605,493
State Pool	3,389	1,479
Gross Receipts	\$4,946,903	\$4,965,893

CDTFA Changes

The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

Statewide Results

Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HdL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

Supreme Court Ruling

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by *Quill* is no longer a clear or easily applicable standard, and the on-line interstate marketplace was not the prevailing issue before the court in 1992.

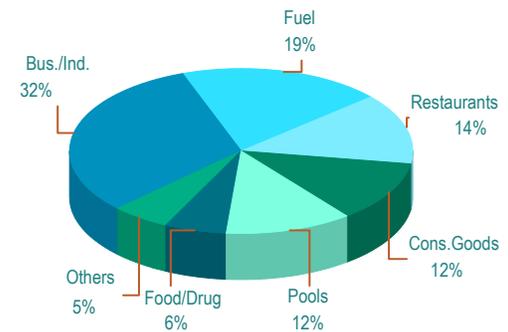
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about \$1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average \$60 per year for each California household, and California businesses average \$171 per year in unpaid use tax liabilities. The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Diamond Bar This Quarter



DIAMOND BAR TOP 15 BUSINESS TYPES

Business Type	Diamond Bar		County	HdL State
	Q1 '18	Change	Change	Change
Casual Dining	74,873	14.6%	-1.1%	-2.0%
Contractors	— CONFIDENTIAL —	—	7.7%	21.6%
Discount Dept Stores	— CONFIDENTIAL —	—	2.7%	2.8%
Drug Stores	15,556	0.2%	-19.0%	-27.9%
Electrical Equipment	— CONFIDENTIAL —	—	13.2%	2.0%
Family Apparel	14,154	280.6%	9.6%	8.3%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	-13.5%	-3.9%
Grocery Stores	42,623	10.3%	8.9%	1.9%
Home Furnishings	13,350	-3.2%	-4.7%	-1.1%
Light Industrial/Printers	14,122	13.9%	-10.3%	-12.2%
Office Equipment	— CONFIDENTIAL —	—	-29.8%	-4.3%
Office Supplies/Furniture	11,589	-18.2%	-18.9%	-10.2%
Quick-Service Restaurants	61,326	-20.5%	-4.1%	-3.8%
Service Stations	210,696	-5.6%	-3.8%	4.6%
Specialty Stores	11,801	-12.0%	-10.9%	-10.0%
Total All Accounts	977,397	-3.6%	-5.9%	-1.8%
County & State Pool Allocation	131,954	-8.2%	-10.3%	-2.1%
Gross Receipts	1,109,350	-4.2%	-6.4%	-1.8%