

# Q2 2016



# South El Monte Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

## South El Monte In Brief

South El Monte's receipts from April through June were 4.1% above the 2015's second quarter sales. Excluding reporting aberrations, actual sales were up 0.3%.

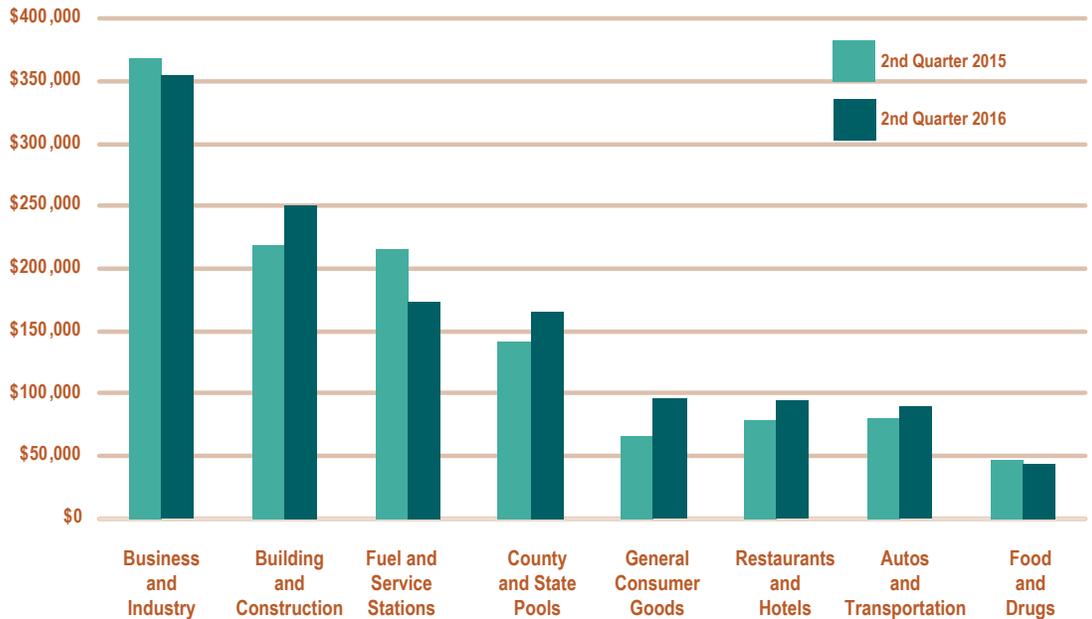
Most of the variance between cash receipts and actual economic activity was due to onetime reporting aberrations that inflated the general consumer goods and restaurant and hotel comparisons. Actual sales for both groups were up, but less than the raw data showed. Building and construction receipts were up and easily bested county and regional trends.

Persistently low oil prices continued to put downward pressure on receipts from the fuel and service station group. Multiple business categories in the business and industry category declined. Net of payment adjustments, food and drug totals were little changed.

Over the same sales period, revenues from the City's voter-approved Measure R were up 6.3% after factoring out onetime aberrations.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.1% over the comparable period a year earlier; the Southern California region was up 1.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

2010 Office Furniture	Greencastle Cabinetry
Ace Lumber & Supply	Lawrence Equipment
American Auctioneers Group	LBC Lighting
Arco AM PM	Leader Industries
Asia Building Supply	Marshalls
Cardinal Paint & Powder	McDonalds
Chevron	Mikes Shell
DDC Electric Supply	Peck Durfee Mobil
El Monte Gas N Save	Quartz Max
El Monte Ornamental Supply	S & M Oil
Exquisite Cabinet & Counter Top	Swardan Hatcher
	Southeast Concrete Products
	Superior Grocers
	USA Gas

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
<b>Point-of-Sale</b>	\$1,078,634	\$1,103,282
<b>County Pool</b>	140,299	165,614
<b>State Pool</b>	908	387
<b>Gross Receipts</b>	<b>\$1,219,841</b>	<b>\$1,269,284</b>
<b>Less Triple Flip*</b>	\$(304,960)	\$0
<b>Measure R</b>	<b>\$498,340</b>	<b>\$503,783</b>

**California Overall**

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

**Interest In Tax Reform Grows**

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

**Expand the Base / Lower the Rate:**

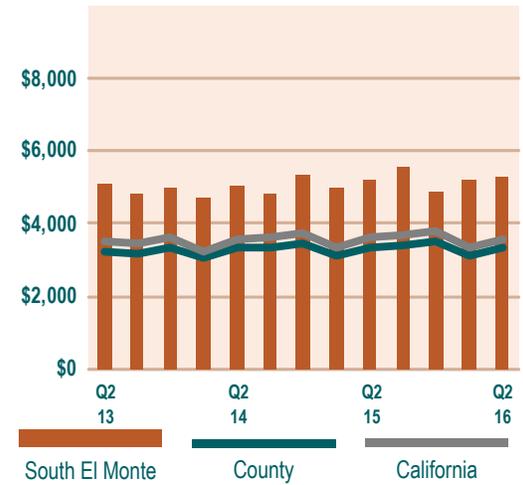
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

**Allocate to Place of Consumption:**

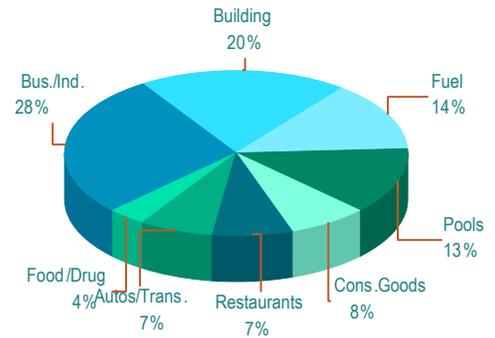
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
South El Monte This Quarter



**SOUTH EL MONTE TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	South El Monte Q2 '16*	Change	County Change	HdL State Change
Auto Repair Shops	26.5	22.1%	4.7%	4.7%
Automotive Supply Stores	25.9	6.3%	-2.5%	1.5%
Contractors	150.8	19.2%	10.2%	6.4%
Electronics/Appliance Stores	33.1	257.8%	29.9%	22.3%
Family Apparel	— CONFIDENTIAL —		3.5%	4.3%
Food Service Equip./Supplies	34.9	-15.9%	10.1%	14.1%
Heavy Industrial	110.4	27.0%	5.2%	7.0%
Light Industrial/Printers	63.1	16.1%	-7.7%	-0.6%
Lumber/Building Materials	33.7	12.2%	3.7%	3.3%
Plumbing/Electrical Supplies	61.3	8.7%	10.4%	7.6%
Quick-Service Restaurants	72.0	23.6%	6.1%	6.6%
Repair Shop/Equip. Rentals	20.5	6.4%	5.4%	3.9%
Service Stations	163.8	-21.0%	-20.5%	-19.2%
Trailers/Auto Parts	— CONFIDENTIAL —		4.6%	-8.1%
Used Automotive Dealers	32.6	14.8%	5.3%	11.0%
<b>Total All Accounts</b>	<b>1,103.3</b>	<b>2.3%</b>	<b>0.1%</b>	<b>-0.6%</b>
<b>County &amp; State Pool Allocation</b>	<b>166.0</b>	<b>17.6%</b>	<b>15.1%</b>	<b>15.2%</b>
<b>Gross Receipts</b>	<b>1,269.3</b>	<b>4.1%</b>	<b>1.9%</b>	<b>1.4%</b>