

# Q1 2007



# Arroyo Grande Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2007)

## Arroyo Grande In Brief

The allocation for Arroyo Grande's January through March sales was 10.3% lower than the same quarter a year ago.

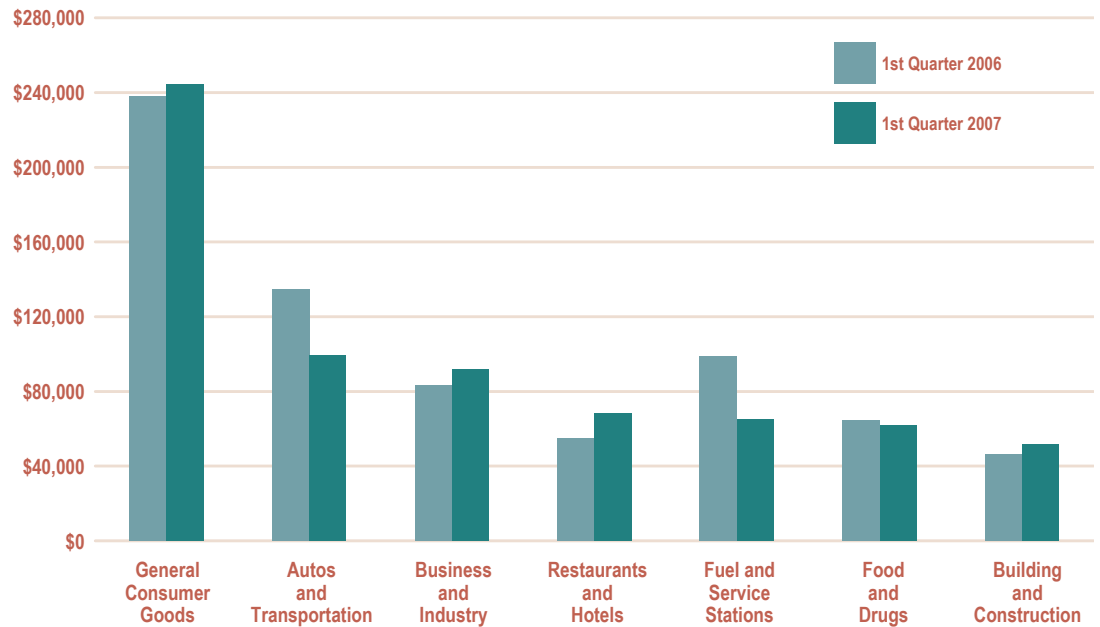
A decline in receipts from the countywide use tax allocation pool, lagging sales of motor vehicles, and a payment anomaly that temporarily reduced revenue from service stations were the primary factors for the dip. A recent closure pared revenue from home furnishings.

The declines were partially offset by gains from the discount department store and business services categories, from some types of restaurants and from a recent addition within the Building and Construction group.

Actual sales activity was down 6.7% after accounting aberrations are factored out.

Adjusted for aberrations, taxable sales for all of San Luis Obispo County were flat compared to the same period of 2006 while the state as a whole was up 0.9%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

Ace Hardware	K Mart
Albertsons	Marshalls
Aqua Systems	Mid State Bank
Arroyo Grande Auto Sales	Mission Cabinets
Arroyo Grande Shell	Mullahey Ford
Burke & Pace Lumber Sales	Officemax
Chevron	P & J Lee
Christianson Chevrolet Oldsmobile	Rite Aid
Donnas Interiors Furniture	San Luis Obispo Country Farm
Grand Estate Sales	Stan Robertsons
Jack in the Box	Beacon
JB Dewar	Streator Pipe & Supply
	Trader Joes
	Wal Mart

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2005-06	2006-07
Point-of-Sale	\$3,232,443	\$3,069,624
County Pool	407,620	339,605
State Pool	5,310	4,161
<b>Gross Receipts</b>	<b>\$3,645,373</b>	<b>\$3,413,390</b>
Less Triple Flip*	\$(911,343)	\$(853,347)
<b>Gross Trans. Tax</b>	<b>\$0</b>	<b>\$359</b>

\*Reimbursed from county compensation fund

## DIRECT ALLOCATION OF USE TAX EXPANDED

With some exceptions, merchandise delivered from an out of state location is subject to Use Tax with the local portion distributed via county or state-wide allocation pools. The revenues are divided among each jurisdiction in the pool based on their pro rata share of taxable sales.

The Board of Equalization's current Regulation 1802 provides an exception by allocating the use tax on purchases exceeding \$500,000 to the jurisdiction of delivery if the order is placed to an out-of-state location and the merchandise is shipped from out of state directly to the buyer.

If the order or sale is negotiated in state, the use tax on the out-of-state merchandise continues to be apportioned via the pools.

Effective January 1, 2008, the Board has agreed to eliminate the in-state participation requirement so that the use tax on transactions delivered from out of state that exceed \$500,000 in value goes to the jurisdiction of use.

The primary benefit for local agencies will be an increase in occasional receipts of use tax from out of state capital purchases made by local businesses and taxpayers.

## BOARD TACKLES TAX GAP

Each year the state collects over \$44 billion dollars in state and local tax revenues. They estimate that an additional \$2 billion (the tax gap) goes uncollected.

The largest portion of the tax gap is comprised of unpaid use tax. Out-of-state retailers are not required to collect and remit sales tax if they do not have a physical nexus in California. In these cases, the buyer is responsible for reporting and remitting the corresponding use tax and often fails to do so either purposely or because they are unaware of the requirement.

The second largest component of

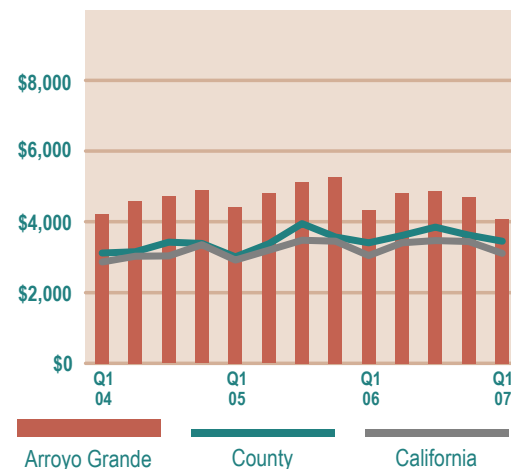
the tax gap lies with the underground economy where transactions are paid by cash and businesses operate without registering in order to avoid taxation. The final component consists of unpaid taxes on sales and purchases that are purposely or inadvertently under reported.

The Board of Equalization has proposed a three year plan to reduce the gap. Elements include additional sharing and utilization of data bases to identify unregistered businesses and/or potential use tax purchases by companies not required to register, additional staffing and technology to improve audit and collection effectiveness, and more field inspections and involvement in special events such as swap meets and auctions.

The plan also calls for increased tax preparer education and more effective registration requirements including consolidation of state and local agencies into a one stop registration system.

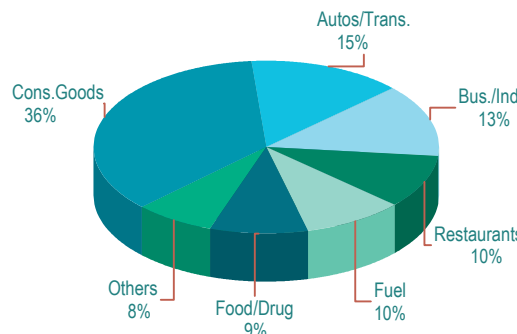
Copies of the plan can be reviewed at [www.boe.ca.gov](http://www.boe.ca.gov).

## SALES PER CAPITA



## REVENUE BY BUSINESS GROUP

Arroyo Grande This Quarter



## ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q1 '07	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —		6.4%	5.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-13.1%	-3.2%
Service Stations	58,577	-36.4%	-6.4%	5.3%
Grocery Stores Liquor	34,039	-6.6%	0.1%	4.5%
Restaurants No Alcohol	33,987	14.8%	9.8%	5.8%
Home Furnishings	33,519	-12.9%	-2.0%	2.6%
Lumber/Building Materials	29,087	-11.9%	-14.1%	-23.2%
Restaurants Beer And Wine	23,241	48.5%	6.7%	1.2%
Business Services	20,316	133.8%	15.4%	11.1%
Garden/Agricultural Supplies	17,236	-9.3%	12.6%	9.5%
Drug Stores	17,220	7.2%	6.8%	8.2%
Family Apparel	17,214	-2.3%	8.3%	17.6%
Office Supplies/Furniture	16,463	-3.4%	3.7%	11.5%
Specialty Stores	15,845	-2.7%	13.6%	10.0%
Used Automotive Dealers	15,079	-24.8%	-1.7%	3.5%
<b>Total All Accounts</b>	<b>\$683,060</b>	<b>-5.2%</b>	<b>1.9%</b>	<b>3.5%</b>
<b>County &amp; State Pool Allocation</b>	<b>66,904</b>	<b>-42.0%</b>		
<b>Gross Receipts</b>	<b>\$749,964</b>	<b>-10.3%</b>		