

# Q2 2019



# Manhattan Beach Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

## Manhattan Beach In Brief

Manhattan Beach's receipts from April through June were 20.0% above the second sales period in 2018. This comparison was inflated, however, by the CDTFA's transition to a new reporting system in the prior year that temporarily delayed distributions to the City. Adjusted for proper payment timing, results were up 1.0%.

The largest factor in the improvement was higher allocations from the countywide use tax pool, boosted by implementation of California's new legislation that has established a lower threshold for requiring the collection of use taxes by out-of-state retailers.

Auto-transportation related sales also surged 8% this quarter, outperforming the relatively flat statewide trend.

Home furnishing, women's apparel and other general consumer goods categories were broadly lower, however, as consumers increasingly shop online.

Restaurant closures also impacted casual dining sales, though in the constant flux of this industry, several fresh, new eateries have also recently opened.

Net of aberrations, taxable receipts for all of Los Angeles County grew 2.6% over the comparable time period; the Southern California region was up 2.7%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Nick's Manhattan Beach
BevMo	Old Navy
Chevron	Olive Garden
Circle K	P1 Technologies
Frys Electronics	Ralphs Fresh Fare
Houston's	REI
Islands	Skechers by Mail
Kettle	Strand House
Macys	Standbar
Manhattan Beach	Target
Toyota Scion	Toyota Lease Trust
Manhattan Gas & Mart	Trader Joes
Marriott Manhattan Beach Hotel	True Religion
	Wrights

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2017-18	2018-19
Point-of-Sale	\$7,497,845	\$8,382,633
County Pool	1,079,806	1,245,947
State Pool	4,334	4,184
<b>Gross Receipts</b>	<b>\$8,581,986</b>	<b>\$9,632,764</b>

**California Overall**

The local one percent share of California's sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

**Marketplace Facilitator Act**

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client's sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

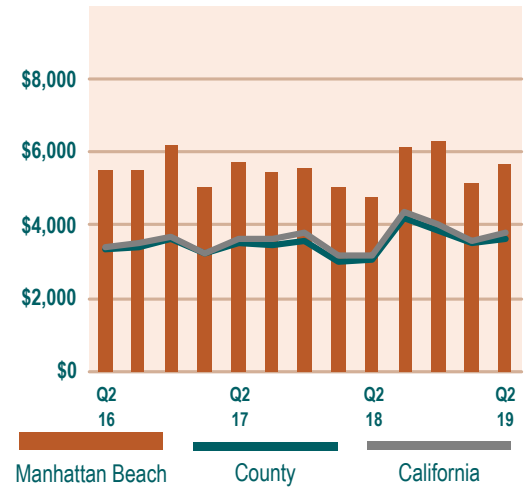
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California's approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

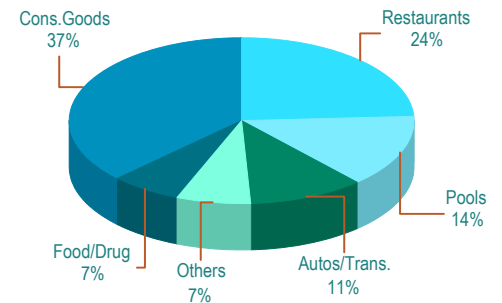
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state's sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Manhattan Beach This Quarter



**MANHATTAN BEACH TOP 15 BUSINESS TYPES**

Business Type	<i>*In thousands of dollars</i>			
	Manhattan Beach Q2 '19*	Manhattan Beach Change	County Change	HdL State Change
Casual Dining	285.5	15.2%	23.0%	24.5%
Department Stores	— CONFIDENTIAL —	—	-19.7%	-24.7%
Discount Dept Stores	— CONFIDENTIAL —	—	29.0%	26.3%
Electronics/Appliance Stores	— CONFIDENTIAL —	—	10.5%	7.0%
Family Apparel	106.9	18.6%	43.2%	45.3%
Fast-Casual Restaurants	43.6	3.9%	17.2%	18.6%
Fine Dining	143.0	-0.9%	13.8%	16.5%
Grocery Stores	89.0	6.2%	10.5%	9.6%
Home Furnishings	45.3	-16.7%	20.1%	15.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	7.5%	5.4%
Quick-Service Restaurants	54.9	16.3%	12.8%	15.8%
Service Stations	— CONFIDENTIAL —	—	39.6%	51.4%
Specialty Stores	56.2	38.9%	-3.2%	-8.1%
Sporting Goods/Bike Stores	— CONFIDENTIAL —	—	17.9%	29.7%
Women's Apparel	57.3	5.5%	4.9%	5.7%
<b>Total All Accounts</b>	<b>2,048.5</b>	<b>19.4%</b>	<b>18.4%</b>	<b>20.1%</b>
<b>County &amp; State Pool Allocation</b>	<b>337.6</b>	<b>23.4%</b>	<b>22.4%</b>	<b>22.4%</b>
<b>Gross Receipts</b>	<b>2,386.2</b>	<b>20.0%</b>	<b>19.0%</b>	<b>20.4%</b>