

# Q4 2019



# City of Hughson Sales Tax *Update*

*First Quarter Receipts for Fourth Quarter Sales (October - December 2019)*

## Hughson In Brief

Hughson's receipts from October through December were 8.3% below the fourth sales period in 2018. Excluding reporting aberrations, actual sales were down 20.05%.

The biggest impediment to Hughson's allocations for the fourth quarter of 2019 came from the business-industry category. The group was down \$50,000 compared to the same quarter last year.

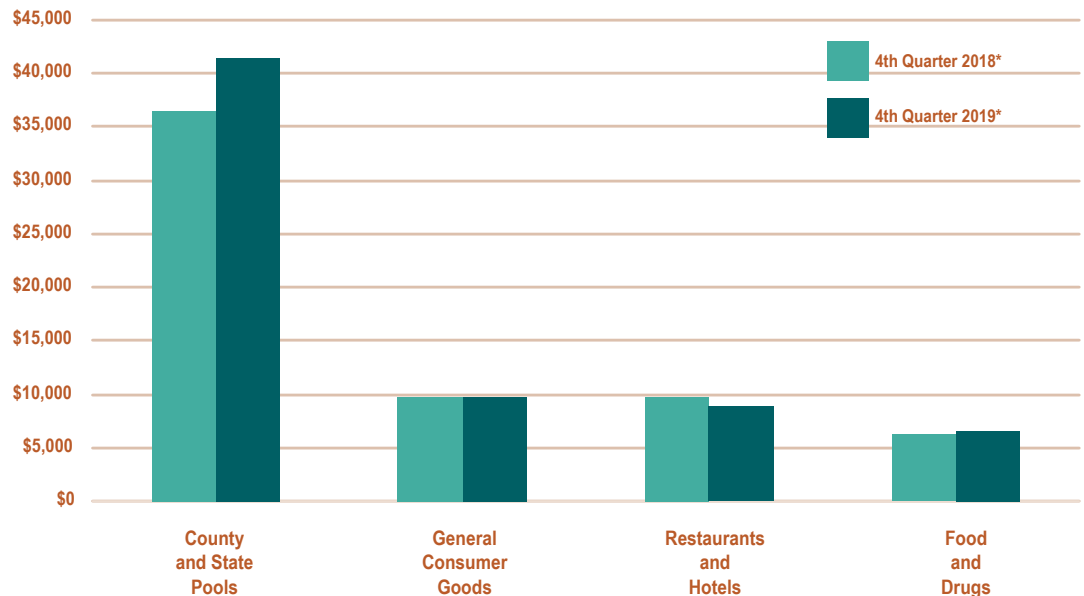
A sharp drop in lumber prices nationwide contributed to the 3.4% decline in building-construction. Restaurants-hotels also reported a sluggish sales quarter resulting in a 9.4 % decline.

Fuel and service stations held the largest percentage growth for Hughson with a 7% increase compared to the same time period last year. The second largest city specific group was food-drugs with an increased allocation of 6.3%.

State and county pools also increased allocations in 4Q19. The new Wayfair decision and California's AB 147 bill has given an allocation increase to county pools across the state. This resulted in an increase of 13.9% for the City of Hughson.

Net of aberrations, taxable sales for all of Stanislaus County grew 3.4% over the comparable time period; the San Joaquin Valley was up 4.9%.

## SALES TAX BY MAJOR BUSINESS GROUP



*\*Allocation aberrations have been adjusted to reflect sales activity*

## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Agave Azul	Mid Valley
Bobs Coffee Shop	Agricultural Services
Boulet Consulting	Napa Auto Parts
California Trusframe	Pizza Factory
Coco's Taqueria	Pure Water Pool Service
Dollar General	Quick N Save
Dollar Tree	Samaritan Village
Golden Bowl	Santa Fe Market & Liquor
Grossi Fabrication	Sav Mor Market
Hughson Chevron	Slick Fork BBQ
Hughson Farm Supply	Subway
La Perla Tapatia	Valley Tool & Manufacturing
Lacy's Furniture & Home Decor	Wilbur Ellis

## REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2018-19	2019-20
Point-of-Sale	\$511,501	\$475,814
County Pool	70,505	82,160
State Pool	255	212
Gross Receipts	\$582,260	\$558,186

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**California Overall**

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

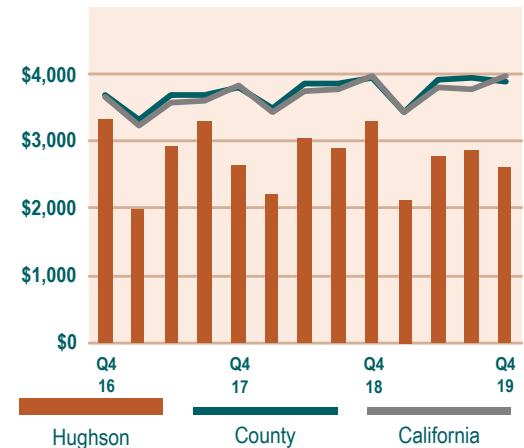
Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

**Covid-19**

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

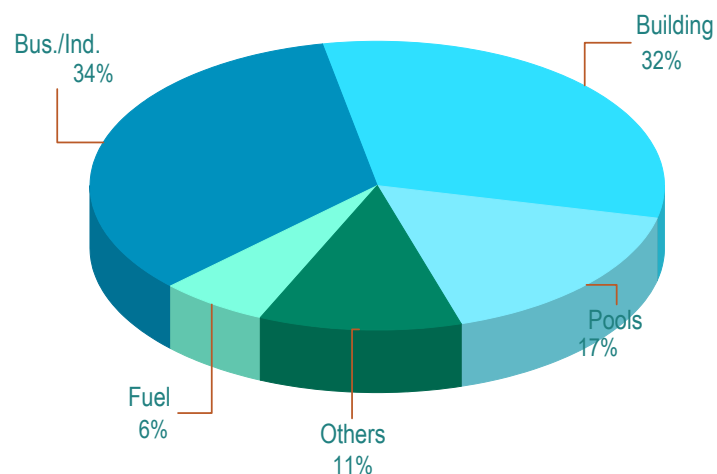
**SALES PER CAPITA\***

\*Allocation aberrations have been adjusted to reflect sales activity

**COUNTY OVERALL  
4Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	20.3%	2.5%
Building and Construction	-13.0%	-9.4%
Business and Industry	-1.5%	-4.1%
Food and Drugs	-0.3%	3.3%
Fuel and Service Stations	-5.1%	5.4%
General Consumer Goods	2.3%	-1.0%
Restaurants and Hotels	9.7%	3.6%
County and State Pools	25.7%	27.3%
<b>Total</b>	<b>5.4%</b>	<b>3.4%</b>

\*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP  
Hughson This Quarter\***

\*Allocation aberrations have been adjusted to reflect sales activity