

Q1 2018



Moreno Valley Sales Tax *Update*

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

Moreno Valley In Brief

Moreno Valley's receipts from January through March were 0.9% below the first sales period in 2017. However, due to CDTFA's transition to a new taxpayer reporting system, multiple transactions were not processed in the current period but are anticipated to be received next quarter. Including these allocations and other reporting aberrations, actual sales would have been up 7.4%.

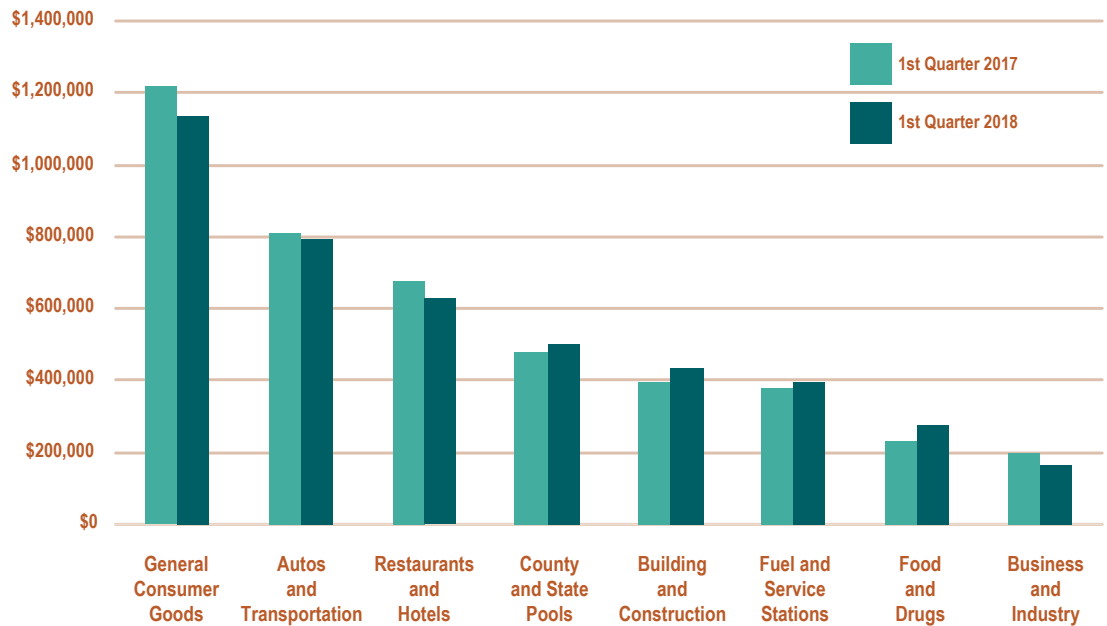
Once adjusted, the recent addition of a home furnishing retailer and solid activity from women's and family apparel merchants boosted growth from general consumer goods.

Steady price increases at the pump, mostly due to the global cost of crude oil and implementation of SB-1 locally, pushed service stations higher, while the current stable housing market helped produce strong gains by building-construction suppliers.

The City's largest category, new auto sales, experienced mixed returns from dealers with results remaining flat compared to a year ago.

Net of aberrations, taxable sales for all of Riverside County grew 7.9% 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

99 Cents Only	Moss Bros Chrysler
Alessandro Arco AM PM	Jeep Dodge Ram Fiat
Chevron	Moss Bros Honda
Costco	Moss Bros Toyota
Food 4 Less	Robertsons Ready Mix
Home Depot	Ross
JC Penney	Skechers
Jeromes Furniture Warehouse	Stater Bros
Lowes	Target
Macys	Tesoro Refining & Marketing
Moreno Beach Market	TJ Maxx/Home Goods
Moss Bros Buick GMC	Walmart Supercenter
Moss Bros Chevrolet	Winco

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$12,267,800	\$12,788,497
County Pool	1,548,745	1,627,003
State Pool	11,305	7,879
Gross Receipts	\$13,827,849	\$14,423,379

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.

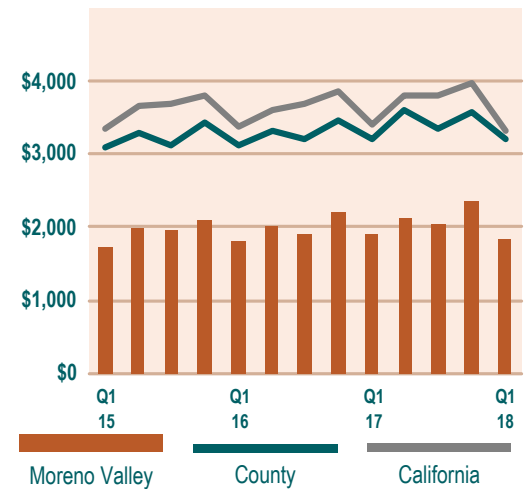
Supreme Court Ruling

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.

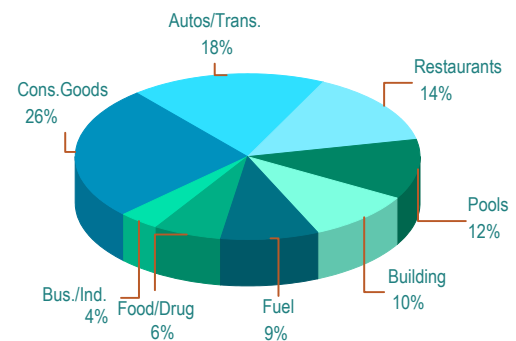
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

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
Moreno Valley This Quarter



MORENO VALLEY TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Moreno Valley	County	HdL State	
	Q1 '18*	Change	Change	Change
Automotive Supply Stores	88.8	-4.2%	-2.8%	-4.1%
Building Materials	271.6	1.6%	13.6%	3.8%
Casual Dining	229.6	-0.9%	-4.7%	-2.0%
Contractors	— CONFIDENTIAL —		14.7%	21.6%
Department Stores	97.2	-21.8%	-22.2%	-35.1%
Discount Dept Stores	— CONFIDENTIAL —		1.3%	2.8%
Electronics/Appliance Stores	69.1	-24.4%	-4.9%	1.1%
Family Apparel	163.0	10.2%	10.1%	8.4%
Fulfillment Centers	90.8	8.9%	412.7%	38.8%
Grocery Stores	189.4	49.0%	14.4%	1.9%
New Motor Vehicle Dealers	583.3	0.0%	-1.3%	-0.2%
Quick-Service Restaurants	334.6	-10.7%	-1.9%	-3.8%
Service Stations	399.5	4.6%	1.4%	4.6%
Shoe Stores	64.2	7.6%	2.3%	0.2%
Specialty Stores	60.8	1.3%	-9.6%	-10.1%
Total All Accounts	3,840.5	-1.6%	1.1%	-1.8%
County & State Pool Allocation	500.1	4.9%	7.8%	-2.1%
Gross Receipts	4,340.6	-0.9%	1.8%	-1.8%