

# Q1 2015



# City of Los Altos Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2015)

## Los Altos In Brief

Receipts for Los Altos' January through March sales were 0.8% higher than the same quarter one year ago. Actual sales activity was up 2.2% when reporting aberrations were factored out.

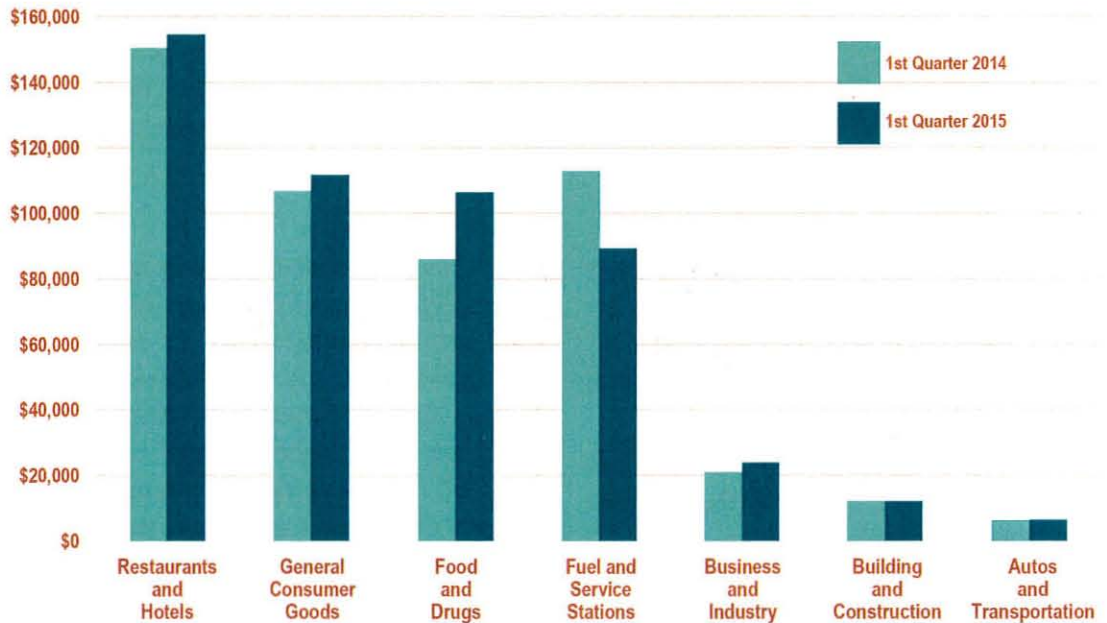
Overall results in restaurants and hotels were understated by a year ago accounting adjustment in casual dining. Boosted by a new eatery in quick-service restaurants, the group as a whole was up 6.6% on an adjusted basis.

Post-holiday revenues were higher in home furnishings and sporting goods/bike stores while a recent opening in grocery stores with liquor accounted for the double digit gain in food and drugs.

The decline in service stations was commensurate with lower fuel prices.

Adjusted for aberrations, taxable sales for all of Santa Clara County increased 4.6% over the comparable time period, while the Bay Area as a whole was up 4.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Andronicos Market	Pasta Market
Armadillo Willys BBQ & Cafe	Pho Vi Hoa Restaurant
Chef Chus	Rite Aid
Draegers Super Market	Rutt of Los Altos Safeway
El Camino 76	Tesoro West Coast Valero
First & Main Sports Lounge	Trader Joes
Footwear Etc	True Value Hardware
Grand Petroleum	Village Chevron
Los Altos Chevron	Viscusi Elson
Los Altos Grill	Voyageur Du Temps
Lucky Supermarket	Walgreens
OPA Authentic Greek Cuisine	Whole Foods Market

## REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$2,132,655	\$2,176,657
County Pool	333,051	376,906
State Pool	1,481	1,497
Gross Receipts	\$2,467,186	\$2,555,060
Less Triple Flip*	\$(616,797)	\$(638,765)

\*Reimbursed from county compensation fund



**California as a Whole**

Local one cent tax receipts from sales occurring January through March rose 3.65% over 2014's comparable quarter after adjusting for reporting anomalies.

An exceptionally strong quarter for auto sales/leases and restaurants was the primary contributor to the overall increase. A rise in building-construction materials was also a factor although much of this growth came from specific office and sports facility projects in Northern California.

Gains from sales of general consumer goods were primarily in value priced clothing, home furnishings and specialty retail which includes pet supplies and cosmetics. Online shopping involving goods shipped from out of state continues to shift a major portion of the growth in general consumer goods to the countywide pools.

The statewide gains were largely offset by a 21% decline in receipts from fuel and service stations.

**Tax on Services**

The Board of Equalization has released an estimate that levying sales and use tax on services would raise over \$122.5 billion in state and local revenues or enough to lower the overall tax rate to under 4%.

Originally imposed in 1933 as a 2 1/2% tax with only three exemptions, the legislature has gradually exempted more and more goods from the sales tax while raising rates to compensate for the corresponding revenue loss. This and the state's shift from a manufacturing to service economy has created the nation's highest sales tax rate on the narrowest basket of goods.

Although more discussion is needed, there is interest in expanding the sales tax to services and lowering the rate to make the tax less regressive and

more competitive while providing greater flexibility in the development of local tax bases.

**Tax on Jet Fuel**

The Federal Aviation Administration has ruled that sales taxes on jet fuel must only be used for airport and aviation programs. The rule applies to taxes levied after 1987 but is unclear as to transactions tax districts, Proposition 172 revenues, or revenues collected by jurisdictions without airports. Clarification will not be available until FAA review and approval of a plan that has to be submitted by the state Department of Finance by December 8, 2015.

**Tax on Marijuana**

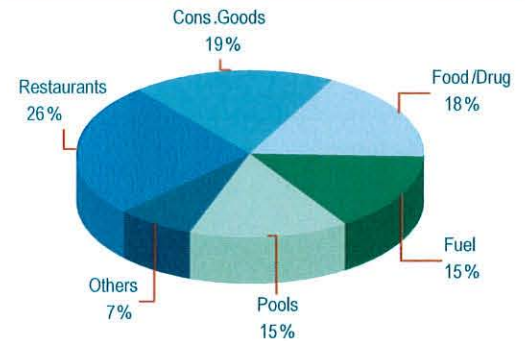
A pilot study for more effective tracking and collection of sales taxes on medical cannabis is underway in the central and northern California districts. Because current registration policy allows a "decline to state" to avoid self-incrimination, the precise number of cannabis retailers is unknown. BOE findings are expected by November 2015.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

Los Altos This Quarter



**LOS ALTOS TOP 15 BUSINESS TYPES**

Business Type	Los Altos		County	HdL State
	Q1 '15	Change	Change	Change
Art/Gift/Novelty Stores	7,797	4.9%	-1.7%	0.1%
Casual Dining	105,100	0.9%	3.3%	5.1%
Contractors	6,174	-12.5%	30.2%	14.5%
Drug Stores	— CONFIDENTIAL —	—	4.7%	11.3%
Family Apparel	9,777	-1.3%	6.2%	9.8%
Fast-Casual Restaurants	9,805	6.5%	15.2%	11.4%
Fine Dining	20,529	4.4%	16.5%	17.1%
Grocery Stores Beer/Wine	— CONFIDENTIAL —	—	0.8%	-3.4%
Grocery Stores Liquor	77,234	32.5%	4.4%	5.0%
Home Furnishings	25,928	28.2%	7.7%	8.3%
Quick-Service Restaurants	15,000	14.2%	15.5%	10.9%
Service Stations	89,374	-20.8%	-23.3%	-21.9%
Specialty Stores	14,194	-16.3%	2.5%	10.1%
Sporting Goods/Bike Stores	10,580	11.6%	0.6%	6.9%
Women's Apparel	16,709	10.3%	-0.8%	1.7%
<b>Total All Accounts</b>	<b>\$504,427</b>	<b>1.7%</b>	<b>5.9%</b>	<b>3.6%</b>
<b>County &amp; State Pool Allocation</b>	<b>\$88,328</b>	<b>-4.4%</b>	<b>-0.4%</b>	<b>1.1%</b>
<b>Gross Receipts</b>	<b>\$592,755</b>	<b>0.8%</b>	<b>4.9%</b>	<b>3.3%</b>