

# Q2 2012



# Laguna Niguel Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2012)

## Laguna Niguel In Brief

Receipts for Laguna Niguel's April through June sales were 3.1% higher than the same quarter one year ago. Actual sales activity was up 1.8% when reporting aberrations were factored out.

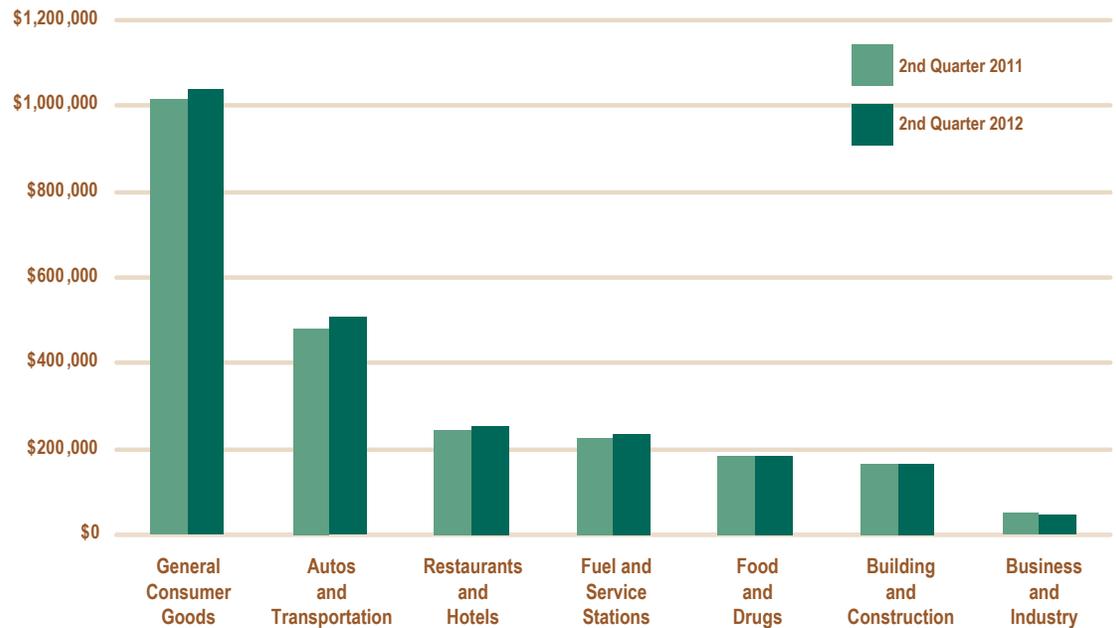
General consumer goods benefited from the addition of a new specialty store and strong sales from sporting goods and art/gift/novelty stores. The autos and transportation group also posted positive results; however, the increase was inflated overall by a onetime accounting adjustment for auto repair shops.

Sales increases from the restaurants with and without liquor categories more than offset the decrease from eateries serving beer and wine. Receipts from service stations were temporarily lifted by the double-up of previously misallocated payments.

The gains were partially offset by losses from multiple categories of the business and industry and building and construction sectors.

Adjusted for aberrations, taxable sales for all of Orange County increased 6.6% over the comparable time period, while the Southern California region as a whole was up 7.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

Albertsons	In N Out Burgers
Allen Cadillac GMC	Kohls
Allen Hyundai	Laguna Niguel
Arco	Mobil
Avery Enterprises	Laguna Niguel
Bed Bath & Beyond	Shell
BevMo	Loehmanns
Chevron Laguna Niguel	Mercedes Benz of Laguna Niguel
Circle K	Sport Chalet
Costco	Tesoro Refining & Marketing
CVS Pharmacy	Verizon Wireless
CVS Pharmacy	Vons
Daimler Trust	Walmart
Home Depot	

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$9,417,418	\$9,661,659
County Pool	970,280	1,002,953
State Pool	1,517	7,193
<b>Gross Receipts</b>	<b>\$10,389,215</b>	<b>\$10,671,805</b>
<b>Less Triple Flip*</b>	<b>\$(2,597,304)</b>	<b>\$(2,667,951)</b>

\*Reimbursed from county compensation fund

## Statewide Results

Net of payment aberrations, second quarter retail sales were 7.5% higher than the same period one year earlier.

Purchases of new automobiles, spurred by low interest rates, easy credit and manufacturers' incentives, outpaced first quarter growth and generated 22% of the total increase. Business-to-business sales reflected strength in a number of sectors, notably heavy industrial, business services and equipment for energy related projects. Restaurant and hotel receipts grew by 8.6%, outpacing all other industry groups except autos and transportation. Family apparel sales were strong but weak electronics/appliances returns and lackluster results from department stores and big box discounters held general consumer group gains to a modest 3.9%. Flattening fuel prices and ongoing weakness in lumber and building materials sales also restrained overall results.

## Outlook for the Year

The momentum for the recovery is slowing and has recently prompted another round of "quantitative easing" by the Federal Reserve Board in an effort to reinvigorate the housing market and spur business investment by keeping interest rates low. Retail growth in California, which fell further than the nation as a whole during the "Great Recession," may outpace the nation going forward but stubborn unemployment, nearly static income levels, and cautious business spending will keep overall sales at moderate levels at least through 2014-15.

## Sales Tax from On-line Retailers

AB 155, which was passed last year as a compromise with Amazon.com went into effect on September 15. While the bill expanded the state's ability to require the collection of tax

on out-of-state sales, local agencies expecting immediate revenue gains will be disappointed.

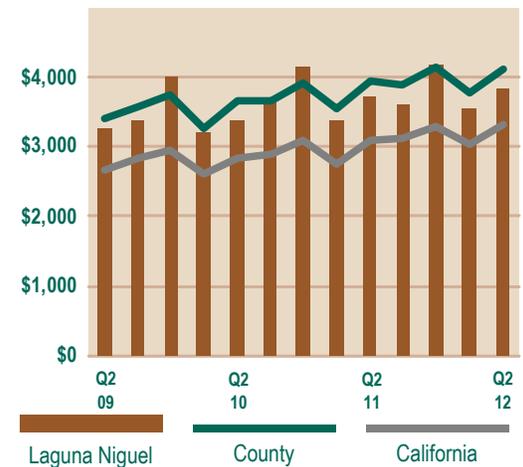
Federal case law continues to provide that remote sellers without nexus in a state are not required to collect that state's sales tax. Amazon agreed not to contest AB 155's definition of nexus which includes remote sellers who have annual sales in California of one million dollars or more and who have an in-state affiliate that provides services in connection with the remote seller's sales if those connected sales exceed \$10,000 per year.

The Board of Equalization's initial estimate was that the legislative change would raise approximately \$38.2 million in one-cent local revenues. However since then, Amazon which was a significant portion of the estimate has decided to build distribution facilities in California which will divert the revenues to the hosting jurisdictions. Other remote sellers, such as Overstock.com, have announced that

they will simply drop their in-state affiliates to avoid collecting the tax.

The Board of Equalization expects to add up to 100 staff positions over the next three years to enforce the new provisions. However, at least initially, local governments should not expect annual revenues of more than \$0.25 per capita and the ultimate solution continues to be federal legislation that eliminates the nexus prohibition and levels the playing field for all retailers.

## SALES PER CAPITA



## LAGUNA NIGUEL TOP 15 BUSINESS TYPES

Business Type	Laguna Niguel		County	HdL State
	Q2 '12*	Change	Change	Change
Auto Lease	104.6	-0.2%	2.7%	6.0%
Auto Repair Shops	33.9	87.1%	5.8%	5.0%
Department Stores	39.6	-5.9%	2.5%	1.3%
Discount Dept Stores	— CONFIDENTIAL —		5.5%	3.7%
Drug Stores	47.2	0.1%	5.1%	3.5%
Electronics/Appliance Stores	39.5	-16.1%	-10.8%	-2.5%
Grocery Stores Liquor	101.0	6.7%	2.8%	4.2%
Home Furnishings	65.9	-4.8%	7.8%	7.1%
Lumber/Building Materials	110.1	-0.2%	15.5%	20.5%
New Motor Vehicle Dealers	— CONFIDENTIAL —		20.8%	22.3%
Restaurants Beer And Wine	40.5	-5.5%	-0.5%	0.2%
Restaurants Liquor	57.2	7.2%	8.0%	11.2%
Restaurants No Alcohol	145.8	2.1%	11.1%	8.1%
Service Stations	235.2	4.6%	-1.4%	2.3%
Specialty Stores	54.0	50.8%	9.4%	2.3%
<b>Total All Accounts</b>	<b>\$2,434.2</b>	<b>2.7%</b>	<b>4.8%</b>	<b>6.7%</b>
<b>County &amp; State Pool Allocation</b>	<b>245.8</b>	<b>6.3%</b>		
<b>Gross Receipts</b>	<b>\$2,680.0</b>	<b>3.1%</b>		<i>*In thousands</i>