Q1 2018

City of Dixon Sales Tax *Update*

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

Dixon In Brief

Dixon's receipts from January through March were 0.4% above the first sales period in 2017. Excluding reporting adjustments, actual sales were up 2.3%.

As reported elsewhere in this newsletter, changes made by the state to improve sales tax return processing caused certain tax returns to be omitted from this quarter's totals. Dixon was not materially affected by these issues.

Retail sales of durable goods and industrial equipment were much higher this quarter, raising business and industry group receipts by 6.5%.

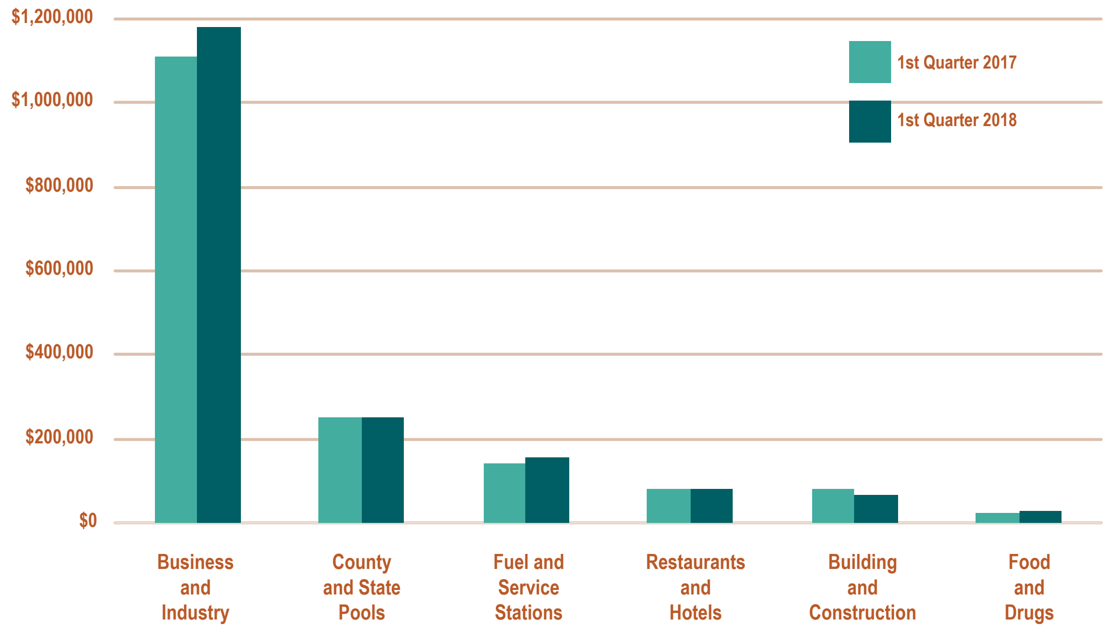
General consumer good sales were strong, with the increase exceeding the statewide growth average. Meanwhile, rising oil prices continue to drive up gas station receipts.

A large negative adjustment that reduced receipts from a prior quarter along with delinquent taxes unrelated to the state processing issues were the main cause of the autos-transportation group's decline.

Unusually high sales in the comparison period skewed this quarter's results lower for the building and construction group.

Net of adjustments, taxable sales for all of Solano County grew 4.2% over the comparable time period while those of the entire Bay Area region were up 6.7%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

- 7 Eleven
- Air Perfection
- Altec Industries
- Arco AM PM
- Basalite Concrete Products
- Baxter Healthcare
- Cardinal Health 200
- Cattlemens
- Chevron
- Design Space Modular Buildings
- Dorset Valero
- Gone Fishin Marine
- Gymboree
- KUIU
- Powerscreen
- Ramos Oil
- Ron Du Pratt Ford
- Safeway
- Safeway Fuel
- SEC Auto Solutions
- Texaco
- Tractor Supply
- Valley Truck & Tractor
- Walmart Supercenter
- Wilbur Ellis

Revenue Comparison

Three Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	$5,727,248	$5,796,176
County Pool	817,472	825,237
State Pool	5,525	3,627
Gross Receipts	$6,550,244	$6,625,040

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NOTES

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.

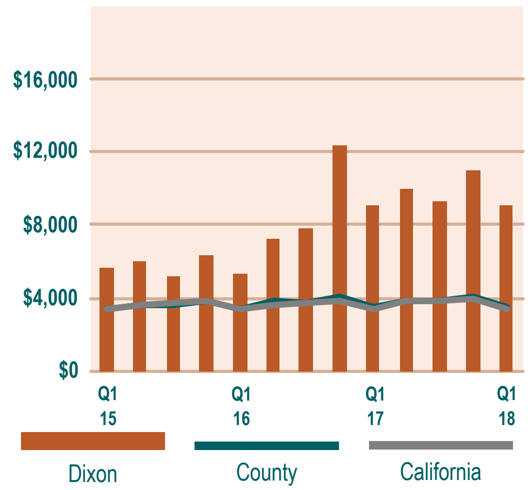
Supreme Court Ruling

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 online 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



County Overall 1Q YOY Receipts % Change

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	-5.3%	0.4%
Building and Construction	13.1%	18.7%
Business and Industry	12.8%	9.5%
Food and Drugs	-0.7%	6.1%
Fuel and Service Stations	10.7%	16.1%
General Consumer Goods	1.4%	7.1%
Restaurants and Hotels	2.2%	3.4%
County and State Pools	4.7%	14.7%
Total	**4.0%**	**8.4%**

*Accounting anomalies factored out

Revenue By Business Group

Dixon This Quarter