Palmdale In Brief

Palmdale’s receipts from January through March were 1.1% above the first sales period in 2017. However, due to CDTFA’s transition to a new reporting system, multiple returns were not processed in the current period but are anticipated to be received with the next quarterly allocations. Including these expected remittances and other reporting aberrations, actual sales were up 8.9%.

Once adjusted, the City experienced a strong sales quarter by multiple general consumer categories including family apparel, home furnishing and sporting goods stores. Steady price increases at the pump, mostly due to the global cost of crude oil and the implementation of SB-1 locally, pushed service stations higher.

The recent addition of a car dealer and favorable financing options enhanced autos-transportation results, while continued interest in eating out lifted quick-service and casual dining restaurants.

These increases to local point of sale also boosted allocations from the countywide use tax pool further contributing to the overall positive adjusted outcome.

Net of aberrations, taxable sales for all of Los Angeles County grew 4.4% over the comparable time period; the Southern California region was up 5.6%.

Sales Tax by Major Business Group

Revenue Comparison

<table>
<thead>
<tr>
<th></th>
<th>2016-17</th>
<th>2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point-of-Sale</td>
<td>$12,132,191</td>
<td>$12,982,689</td>
</tr>
<tr>
<td>County Pool</td>
<td>1,695,459</td>
<td>1,813,714</td>
</tr>
<tr>
<td>State Pool</td>
<td>11,230</td>
<td>8,172</td>
</tr>
<tr>
<td>Gross Receipts</td>
<td>$13,838,880</td>
<td>$14,804,575</td>
</tr>
</tbody>
</table>

Top 25 Producers

In Alphabetical Order

- Antelope Valley Nissan
- Ashley Furniture Homestore
- Best Buy
- Burlington
- Camacho Auto Sales
- Carmax
- Dillard’s
- Home Depot
- JC Penney
- Kohls
- Lockheed Martin
- Lowes
- Macy’s
- McDonalds
- Mobil Liquor King
- Rally Cadillac
- Hyundai Buick
- GMC Kia
- Robertsons
- Palmdale Honda
- Ross
- Sams Club w/ Fuel
- Stater Bros
- Target
- Tesoro Arco
- TJ Maxx
- USA Gasoline
- Walmart Supercenter

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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.