

# Q1 2018



# West Hollywood Sales Tax *Update*

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

## West Hollywood In Brief

West Hollywood's receipts from January through March were 2.7% above the first sales period in 2017. Excluding reporting aberrations, actual sales were up 6.6%.

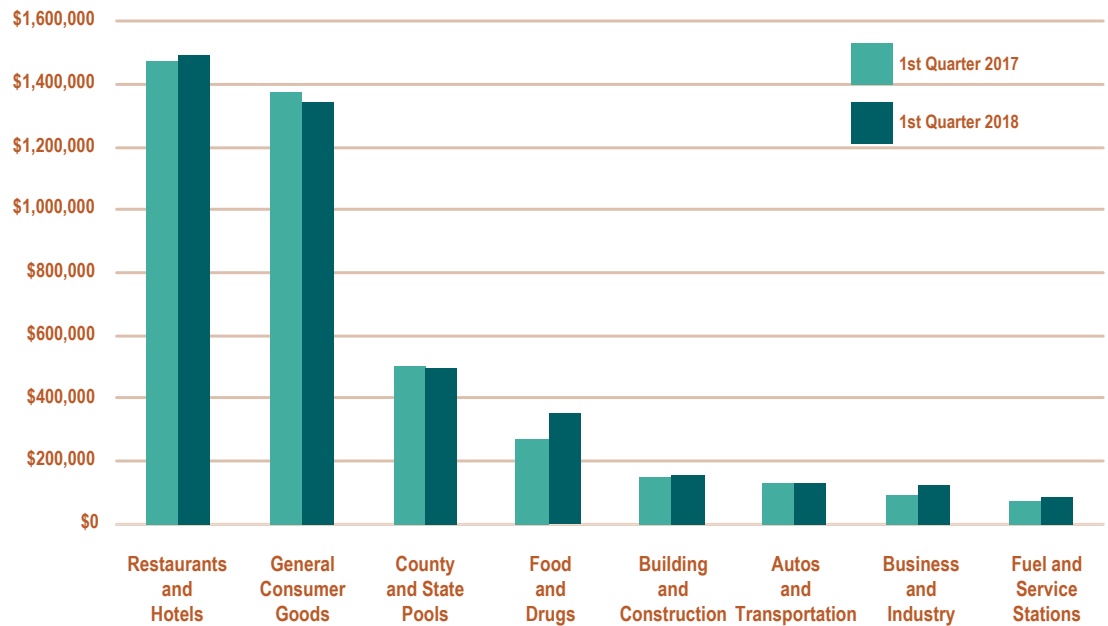
Onetime adjustments which inflated the comparison quarter flattened results in restaurants and hotels. Once these deviations were removed, new eateries added to already outstanding performance rising 7.6% compared to last year.

With the addition of recreational use, cannabis revenues expanded by 223% while non-recurring events triggered the double digit increase in the business and industry group.

Due to the project-based nature of the art/design/furnishing industry, sales activity fluctuates. As a result, the drop in art/gift/novelty stores offset the gain in family apparel from recent openings.

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



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

1 Oak	Gracias Madre
Best Buy	Hornburg Jaguar
BOA Steakhouse	Land Rover
Boxwood at the London	John Varvatos
Brilliant Earth	Maxfield Bleu
Bristol Farms	Pavillions
Cassina	Serena & Lily
Catch LA	Soho House
Ceconis	Sunset Tower Hotel
Craigs	Target
EP & LP	Tesoro Refining & Marketing
Farmacy West Hollywood	The Abbey
Fred Segal Sunset	Whole Foods Market

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$14,283,813	\$14,892,532
County Pool	2,031,728	2,065,246
State Pool	11,197	5,186
<b>Gross Receipts</b>	<b>\$16,326,738</b>	<b>\$16,962,965</b>

**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.

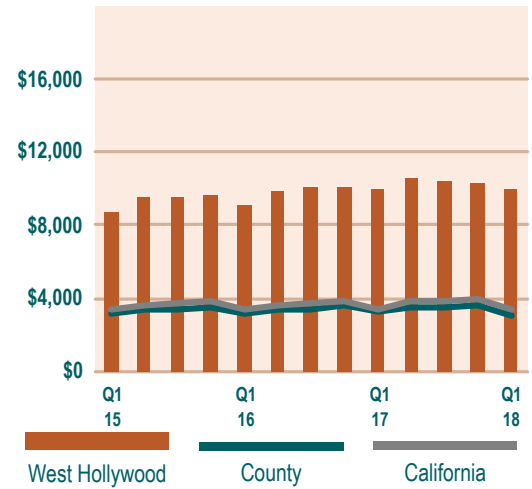
**Supreme Court Ruling**

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.

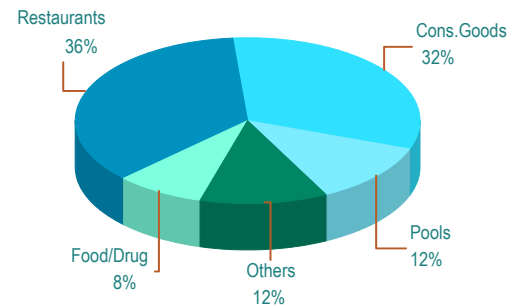
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

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**



**REVENUE BY BUSINESS GROUP**  
West Hollywood This Quarter



**WEST HOLLYWOOD TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	West Hollywood Q1 '18*	West Hollywood Change	County Change	HdL State Change
Casual Dining	544.5	-4.6%	-1.1%	-2.0%
Discount Dept Stores	— CONFIDENTIAL —	—	2.7%	2.8%
Electronics/Appliance Stores	182.3	13.1%	-3.0%	1.1%
Family Apparel	214.7	10.8%	9.6%	8.4%
Fast-Casual Restaurants	79.3	23.4%	6.8%	6.7%
Fine Dining	498.4	5.9%	3.4%	5.6%
Grocery Stores	147.5	6.2%	8.9%	1.9%
Home Furnishings	389.1	2.5%	-4.7%	-1.1%
Hotels-Liquor	166.5	18.7%	9.6%	4.0%
Leisure/Entertainment	130.6	-13.6%	4.1%	3.5%
Cannabis Related	111.5	223.3%	6.0%	19.2%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-1.2%	-0.2%
Quick-Service Restaurants	75.2	0.5%	-4.1%	-3.8%
Service Stations	85.9	16.9%	-3.9%	4.6%
Specialty Stores	100.1	-2.2%	-10.9%	-10.1%
<b>Total All Accounts</b>	<b>3,681.0</b>	<b>3.3%</b>	<b>-5.9%</b>	<b>-1.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>497.0</b>	<b>-1.6%</b>	<b>-10.3%</b>	<b>-2.1%</b>
<b>Gross Receipts</b>	<b>4,177.9</b>	<b>2.7%</b>	<b>-6.4%</b>	<b>-1.8%</b>