Redlands
In Brief

Redlands’ receipts for April through June sales were 2.5% higher than the same quarter one year ago. Actual sales increased 5.7% net of accounting aberrations. Automotive group gains from sales at new car dealers and auto repair shops were partially offset by adjustments that cut results from auto leasing accounts. One-time allocations hiked receipts from business services and electrical equipment. A recovery garnered by the City’s ongoing point of sale audit program buoyed proceeds from contractor supplies. Accounting events inflated results from quick-service eateries and light industrial/printers, but understated gains from service stations and the countywide use tax pool. Misallocated payments and corrections that affected one or both quarters skewed comparisons for casual dining, quick-service restaurants and several categories of consumer goods. A retroactive adjustment cut current quarter cash receipts from building materials while a prior closeout contributed to specialty store losses. Adjusted for reporting anomalies, taxable sales for all of San Bernardino County rose 4.3% over the same period; the Southern California region was up 3.4%.
California Overall
Local government’s one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year’s comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?
E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/ﬂex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

• Location where the sale is negotiated
• Location of goods at time of sale
• Ownership of goods being sold

Place of sale continues to be California’s primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer’s place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools.

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller’s location. However, the transactions tax, if any, goes to the jurisdiction where the buyer’s vehicle is registered.

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