Redlands In Brief

Redlands’ sales activity from July through September was 1.2% greater than the third sales period in 2018. However, cash receipts for the same period were 13% less than at this time last year when late payments were being received following delays caused by the state’s tax filing system.

New car sales posted their largest gain of the past 4 quarters and construction spending was on the rise but nearly half of that increase came from a posting error.

Restaurant activity rose a healthy 4.4% aided by the prior opening of a new venue and the renovation of an existing venue.

Several onetime transactions coupled with other unusually high sales totals in the prior year negatively skewed this period’s business/industry group results. Fuel sales were lackluster, reflecting what is being seen around much of the area.

Net of adjustments, taxable sales for all of San Bernardino County grew 1.7% over the comparable time period while those of the entire Southern California region were up 2.8%.

SALES TAX BY MAJOR BUSINESS GROUP

REVENUE COMPARISON
One Quarter – Fiscal Year To Date (Q3)

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<thead>
<tr>
<th></th>
<th>2018-19</th>
<th>2019-20</th>
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</thead>
<tbody>
<tr>
<td><strong>Point-of-Sale</strong></td>
<td>$3,413,953</td>
<td>$2,985,960</td>
</tr>
<tr>
<td><strong>County Pool</strong></td>
<td>461,351</td>
<td>386,578</td>
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<tr>
<td><strong>State Pool</strong></td>
<td>1,751</td>
<td>1,154</td>
</tr>
<tr>
<td><strong>Gross Receipts</strong></td>
<td>$3,877,056</td>
<td>$3,373,692</td>
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*Allocation aberrations have been adjusted to reflect sales activity*
Statewide Results
The local one-cent share of statewide sales and use tax from sales occurring July through September was 2.2% higher than the summer quarter of 2018 after adjusting for accounting anomalies. The bulk of the increase came from the countywide use tax allocation pools and is due to the acceleration in online shopping where a large volume of the orders are shipped from out-of-state.

Online shopping also produced gains in the business-industrial group with in-state industrial zoned logistics centers filling orders previously taken by brick and mortar retailers. Purchases to support healthcare, food processing, logistics/warehouse operations and information/data technology also helped offset declines in other business-related categories.

With the exception of some discount and value-oriented retail, most categories of general consumer goods were down. New cannabis related start-ups offset declines in the food and drug group while a softening in building-construction receipts was consistent with recent declines in the volume and value of new building permit issuances. Overall growth in restaurant receipts continued to soften with a shift toward lower cost dining establishments and takeout meal options. Reports of labor shortages and the impact of homelessness on customer traffic in metropolitan areas were reportedly factors in the decline in tax revenues from higher price, fine dining establishments.

Despite a slight uptick in used auto and auto lease receipts, the auto related group was significantly down due to a drop in new car and RV sales. Previously propped up by a 23% subprime rated customer base and six- and seven-year financing, loan delinquencies have recently surged back to levels last seen in 2009.

Additional Tax Districts Approved
Voters approved eight of the nine sales tax measures on the November 2019 ballot adding six new districts and extending two others.

This brings the total number of local transactions and use tax districts (TUT’s) to 325 with 62 that are levied countywide and 263 imposed by individual cities. The number of local districts have close to tripled over the last decade as agencies deal with rising costs and service needs. TUT’s have been a favorable option as visitors contribute to the tax and a collection system is already in place that minimizes administrative and monitoring costs.

California’s basic rule is that the rate for all local TUT’s combined, shall not exceed 2.0% or a total of 9.25% including the state levy. However, the state legislature has authorized higher caps in some jurisdictions with the highest voter-approved, combined state/local rate now at 10.5%.

Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.