

Q1  
2007



# City of Murrieta Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2007)

## Murrieta In Brief

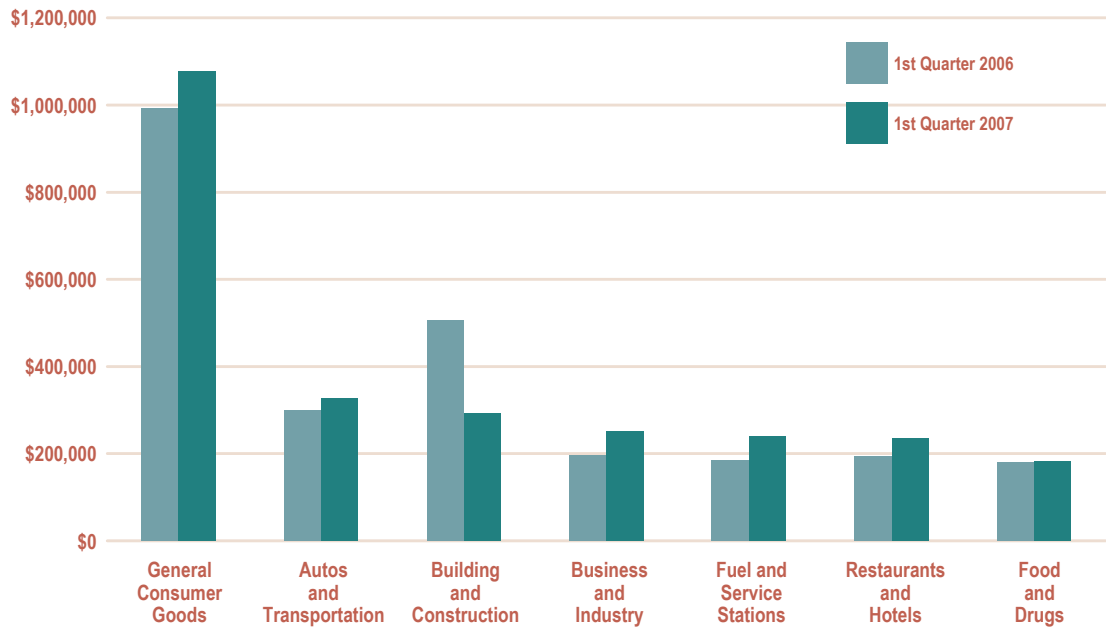
Receipts for Murrieta's first quarter sales were 2.4% higher than the same quarter one year ago.

Recent additions helped boost revenues from service stations, specialty stores, home furnishings, restaurants and sporting goods/bike stores. A onetime payment correction temporarily inflated results from business services.

The gains were offset by a delayed payment from lumber/building materials following a Board of Equalization approved extension of tax due dates.

Gross receipts for all of Riverside County increased 1.1% over the comparable time period while the Southern California area, as a whole, was up 3.3%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

7 Eleven	Murrieta
Albertsons	Volkswagen
Arco AM PM Mini Mart	Ralphs
Best Buy	Robertsons Ready Mix
Carriage Mitsubishi/Suzuki	Sams Club
Chevron	Shell/Texaco
Comp USA	Staples
Empty Heads	Superior Ready Mix Concrete
Ferguson Enterprises	Target
Giant Inland Empire RV Center	Temecula Motorsports
Home Depot	Toys R Us
Kohls	Wal Mart
Murrieta Hot Springs Shell	Wickes Furniture

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2005-06	2006-07
Point-of-Sale	\$10,627,534	\$11,298,072
County Pool	1,207,225	1,277,591
State Pool	17,339	15,265
<b>Gross Receipts</b>	<b>\$11,852,098</b>	<b>\$12,590,928</b>
Less Triple Flip*	\$(2,963,024)	\$(3,147,732)

\*Reimbursed from county compensation fund

**DIRECT ALLOCATION OF USE TAX EXPANDED**

With some exceptions, merchandise delivered from an out of state location is subject to Use Tax with the local portion distributed via county or state-wide allocation pools. The revenues are divided among each jurisdiction in the pool based on their pro rata share of taxable sales.

The Board of Equalization's current Regulation 1802 provides an exception by allocating the use tax on purchases exceeding \$500,000 to the jurisdiction of delivery if the order is placed to an out-of-state location and the merchandise is shipped from out of state directly to the buyer.

If the order or sale is negotiated in state, the use tax on the out-of-state merchandise continues to be apportioned via the pools.

Effective January 1, 2008, the Board has agreed to eliminate the in-state participation requirement so that the use tax on transactions delivered from out of state that exceed \$500,000 in value goes to the jurisdiction of use.

The primary benefit for local agencies will be an increase in occasional receipts of use tax from out of state capital purchases made by local businesses and taxpayers.

**BOARD TACKLES TAX GAP**

Each year the state collects over \$44 billion dollars in state and local tax revenues. They estimate that an additional \$2 billion (the tax gap) goes uncollected.

The largest portion of the tax gap is comprised of unpaid use tax. Out-of-state retailers are not required to collect and remit sales tax if they do not have a physical nexus in California. In these cases, the buyer is responsible for reporting and remitting the corresponding use tax and often fails to do so either purposely or because they are unaware of the requirement.

The second largest component of

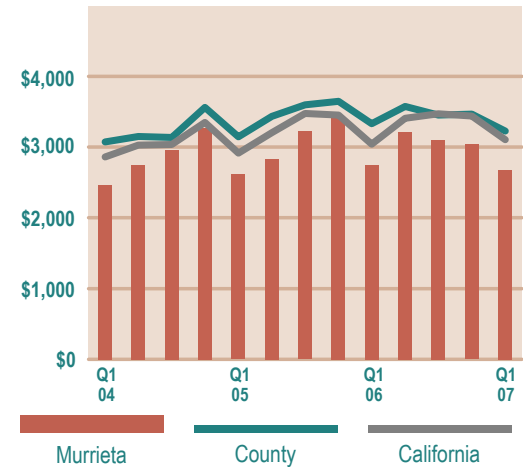
the tax gap lies with the underground economy where transactions are paid by cash and businesses operate without registering in order to avoid taxation. The final component consists of unpaid taxes on sales and purchases that are purposely or inadvertently under reported.

The Board of Equalization has proposed a three year plan to reduce the gap. Elements include additional sharing and utilization of data bases to identify unregistered businesses and/or potential use tax purchases by companies not required to register, additional staffing and technology to improve audit and collection effectiveness, and more field inspections and involvement in special events such as swap meets and auctions.

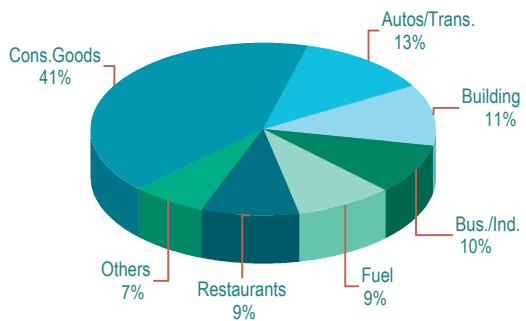
The plan also calls for increased tax preparer education and more effective registration requirements including consolidation of state and local agencies into a one stop registration system.

Copies of the plan can be reviewed at [www.boe.ca.gov](http://www.boe.ca.gov).

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Murrieta This Quarter



**MURRIETA TOP 15 BUSINESS TYPES**

Business Type	Murrieta		County	HdL State
	Q1 '07*	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —			
Service Stations	239.6	29.0%	-0.1%	5.2%
Home Furnishings	232.1	14.0%	10.2%	2.6%
Electronics/Appliance Stores	193.0	-1.6%	-2.5%	0.2%
Restaurants No Alcohol	158.4	5.3%	5.2%	5.8%
Lumber/Building Materials	133.3	-58.5%	-38.4%	-23.2%
Specialty Stores	118.6	45.3%	10.4%	10.0%
Contractors	101.0	-22.8%	-5.8%	-3.2%
Trailers/RVs	100.2	-15.9%	-14.5%	-8.6%
Grocery Stores Liquor	91.0	10.6%	1.3%	4.5%
Family Apparel	80.1	19.6%	21.6%	17.7%
Grocery Stores Beer/Wine	58.8	5.5%	86.2%	17.6%
Used Automotive Dealers	56.6	22.5%	8.7%	3.5%
Plumbing/Electrical Supplies	56.3	10.4%	-9.2%	8.9%
Office Supplies/Furniture	51.4	4.0%	18.8%	11.5%
<b>Total All Accounts</b>	<b>\$2,606.7</b>	<b>2.1%</b>	<b>0.8%</b>	<b>3.5%</b>
<b>County &amp; State Pool Allocation</b>	<b>307.0</b>	<b>4.9%</b>		
<b>Gross Receipts</b>	<b>\$2,913.7</b>	<b>2.4%</b>		<i>*In thousands</i>