

# Q1 2009



# City of Murrieta Sales Tax Update

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2009)

## Murrieta In Brief

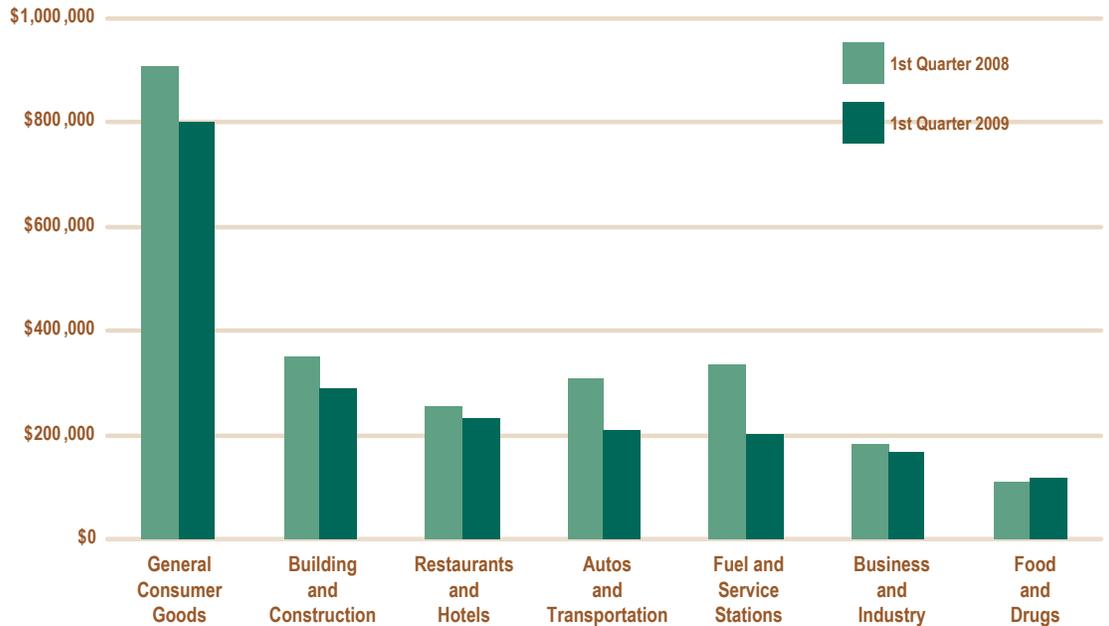
The allocation of sales and use tax revenues from Murrieta's January through March sales was 17.8% lower than the same quarter one year ago.

A drop from last year's record fuel prices and continuing declines in both prices and demand for most categories of consumer goods and business supplies contributed to the overall decrease. The reduction was further exacerbated by lower receipts from the countywide use tax allocation pool.

The losses were partially offset by a recent addition to the family apparel classification and by a solid quarter for grocery stores and boats/motorcycles.

Adjusted for aberrations, sales tax revenues for all of Riverside County declined 19.0% from the first quarter of 2008 while Southern California as a whole was down 16.8%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

7 Eleven	Murrieta
Albertsons	Volkswagen
Best Buy	Pacific Micro Rentals
Carriage Mitsubishi/Suzuki	Ralphs
Chevron	Robertsons Ready Mix
Chicks Sporting Goods	Ross
Giant Inland Empire RV Center	Sams Club
Golden Empire	Stater Bros
Home Depot	Target
Kalmia Gas Mart	Temecula Motorsports
Kohls	Tesoro Refining & Marketing
Lowes	Toys R Us
Murrieta Hot Springs Shell	Wal Mart

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$11,088,132	\$9,461,897
County Pool	1,066,643	1,054,401
State Pool	5,932	4,596
<b>Gross Receipts</b>	<b>\$12,160,707</b>	<b>\$10,520,894</b>
<b>Less Triple Flip*</b>	<b>\$(3,040,177)</b>	<b>\$(2,630,224)</b>

\*Reimbursed from county compensation fund

**California Overall**

Statewide sales tax revenues continued to trend downward for the seventh consecutive quarter with June's allocations for sales occurring in the January through March period 16.5% lower than the same period one year ago.

The contraction was experienced in all regions with previous holdouts such as the Silicon Valley and some pockets of high end tourism now exhibiting the same percentage decreases as the rest of California. The drop in tax receipts resulted as much from significant price reductions as it did from reduced consumer spending and business investment.

Excluding accounting aberrations, the most severe impact was from a 38.3% decline in fuel and service station receipts reflecting the dramatic retreat from last year's record fuel prices and lower consumption.

The allocations from new car sales dropped another 28.3% from the first quarter of 2008 while revenues from traditional department stores, furniture stores and building materials all exhibited reductions of 20% or more. Sales and use tax revenues are projected to continue to decline through the remainder of 2009 although subsequent reductions should become increasingly moderate. The beginning of a recovery for most regions and categories is not anticipated until mid-2010.

**Additional Use Tax Anticipated**

The state's budget package includes provisions for more aggressive collection of unpaid use tax. Sellers without physical nexus in the state are not required to collect sales tax from their California customers. In these cases the buyer is liable for paying a corresponding "use tax."

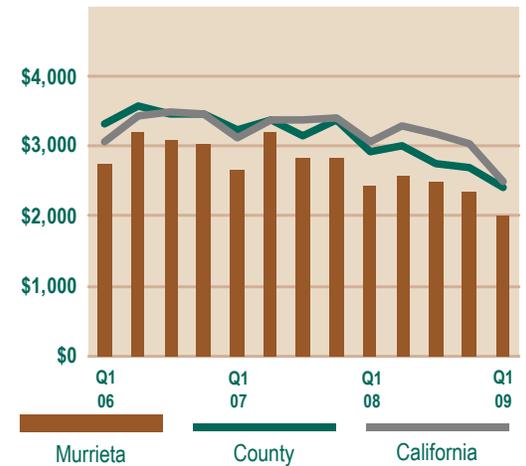
Although the state does an effective job of auditing larger companies, cost and lack of data make monitoring of taxes paid on purchases by individuals and small companies impractical.

The state proposes to partially deal with this problem through two actions. The first is to require non-sellers to register with the Board of Equalization and file annual returns on unpaid use tax. As professional tax preparers are obligated to properly report purchases, the state estimates that the proposal would generate an additional \$57 million per year by 2009-2010.

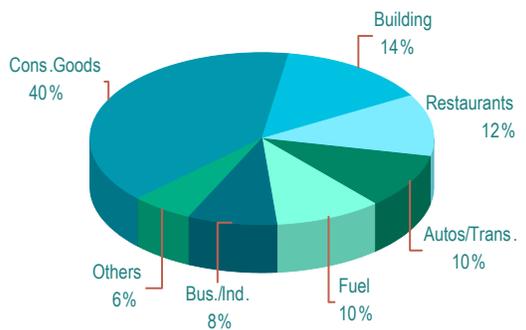
The second action involves a practice enacted by the State of New York that expands the definition of "nexus" to include companies that pay commissions on sales referrals from New York based web sites or affiliates that advertise their products. It is estimated that a similar definition in California could generate up to \$110 million per year. Both actions would also increase city and county collections.

Amazon.com recently lost a court challenge to the New York law and has threatened to drop its affiliates to avoid losing the competitive advantage of not having to collect and pay sales tax.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Murrieta This Quarter



**MURRIETA TOP 15 BUSINESS TYPES**

Business Type	Murrieta		County	HdL State
	Q1 '09*	Change	Change	Change
Discount Dept Stores	\$299.9	-5.2%	-5.0%	-3.3%
Service Stations	202.8	-39.9%	-35.1%	-35.2%
Lumber/Building Materials	157.7	-19.9%	-25.6%	-22.6%
Restaurants No Alcohol	144.9	-2.4%	-2.0%	-2.6%
Electronics/Appliance Stores	113.1	-14.3%	-0.9%	-6.3%
Home Furnishings	104.9	-32.2%	-29.4%	-21.2%
Contractors	95.4	-2.4%	-33.0%	-23.8%
Specialty Stores	86.0	-19.0%	-5.2%	-7.9%
Family Apparel	71.0	-1.3%	-3.3%	-7.6%
Grocery Stores Liquor	64.4	2.5%	-0.1%	-1.8%
Sporting Goods/Bike Stores	48.4	-4.7%	20.9%	-6.6%
New Motor Vehicle Dealers	47.3	-40.5%	-37.2%	-27.7%
Restaurants Liquor	43.7	0.6%	0.0%	-2.0%
Boats/Motorcycles	43.3	2.6%	-36.7%	-28.9%
Restaurants Beer And Wine	36.2	-34.1%	-12.3%	-10.3%
<b>Total All Accounts</b>	<b>\$2,018.4</b>	<b>-17.8%</b>	<b>-16.9%</b>	<b>-17.6%</b>
<b>County &amp; State Pool Allocation</b>	<b>209.1</b>	<b>-17.8%</b>		
<b>Gross Receipts</b>	<b>\$2,227.6</b>	<b>-17.8%</b>		<i>*In thousands</i>