



# Transportation Authority of Marin Citizens' Oversight Committee Sales Tax Overview



March 18, 2019



AN  
**AVENU**  
INSIGHTS & ANALYTICS  
COMPANY

# Company Background

- **MuniServices Founded 1978**
- **Govt. Revenue Expertise**
- **Comprehensive Approach**
- **Avenu – Insights & Analytics Formed 2018**
- **Over 220 CA clients; 800+ Nationwide**



# Our Revenue Services

- Sales and Use Tax
- District/Transactions & Use Tax
- Property Tax
- Business License Discovery & Audit
- Business License Administration
- Transient Occupancy Tax & STR
- Utility User Tax
- Franchise Fees
- Economic Development



# Sales Tax Background

- CA State ‘Base’ Sales Tax Rate is 7.25% with 6% to state and 1.25% to local agencies.
- TAM Transactions & Use Tax “District Tax” or “Add-On” Tax – .5%
- Presentation Overview
  1. District Tax Background
  2. TAM Tax Performance
  3. Future Trends



# District Tax Background

- Over 300 district taxes levied throughout California
- TAM .5% cent district tax generates \$25M to \$30M annually (\$28M currently)
- TAM District Tax recently renewed through 2049.
- Other Marin County District Taxes include:
  - Countywide: Parks .25%, SMART .25%
  - Others: San Rafael .75%, Novato .25%
  - Fairfax & Larkspur 1.25%, others .5%

# District Tax is Destination Based

## Local Sales Tax Versus District Tax



### Engaged in Business: Key Principles

1. Districts: Destination Based
2. Local: Point-of-Sale Based
3. District engaged-in-business rules go beyond local rules.

# 'Top 25' Results



# Top 25 Sales Tax Producers (~ 25% of total)

- **AMAZON.COM**
- **APPLE STORES**
- **ARCO AM/PM MINI MARKETS**
- **BEST BUY STORES**
- **BMW OF SAN RAFAEL**
- **CHEVRON SERVICE STATIONS**
- **COSTCO WHOLESALE**
- **CVS/PHARMACY**
- **DEPT OF MOTOR VEHICLES ALLOCATION**
- **FRANCHISE TAX BOARD ALLOCATION**
- **GOLDEN STATE LUMBER**
- **HOME DEPOT**
- **MACY'S DEPARTMENT STORE**
- **MERCEDES-BENZ OF MARIN**
- **NORDSTROM RACK**
- **SAFEWAY SERVICE STATIONS**
- **SAFEWAY STORES**
- **SHELL SERVICE STATIONS**
- **SONNEN PORSCHE/VW/AUDI**
- **TARGET STORES**
- **TESLA**
- **TOYOTA OF MARIN**
- **UNION 76 SERVICE STATIONS**
- **WHOLE FOODS MARKET**
- **WILLIAMS SONOMA**

# Five Main Sales Tax Categories

1. **General Retail** - Department stores, boutiques, discount stores, furniture, appliance, drug stores, recreation, etc.
2. **Food Products** - Markets, restaurants, breweries
3. **Transportation** - Auto sales, gas stations, auto parts
4. **Construction** - Wholesale suppliers and retail outlets
5. **Business to Business** - All industrial/office activity plus vehicle leasing.

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• **Miscellaneous** – Health and Government, Other

# Top 25 by Sales Tax Category & Segment

## Transportation - 10

- 5 Service Stations, 5 Auto Sales – New

## General Retail – 9

- 3 Dept. Store, 2 Misc. Retail, 2 Furniture/Appliance, 1 Apparel, 1 Drug Store,

## Food Products - 2

- 5 Restaurants, 2 Food Market, 1 Liquor Store

## Construction - 2

- 2 Bldg Materials, 1 Light Industry, 1 Office Equip.

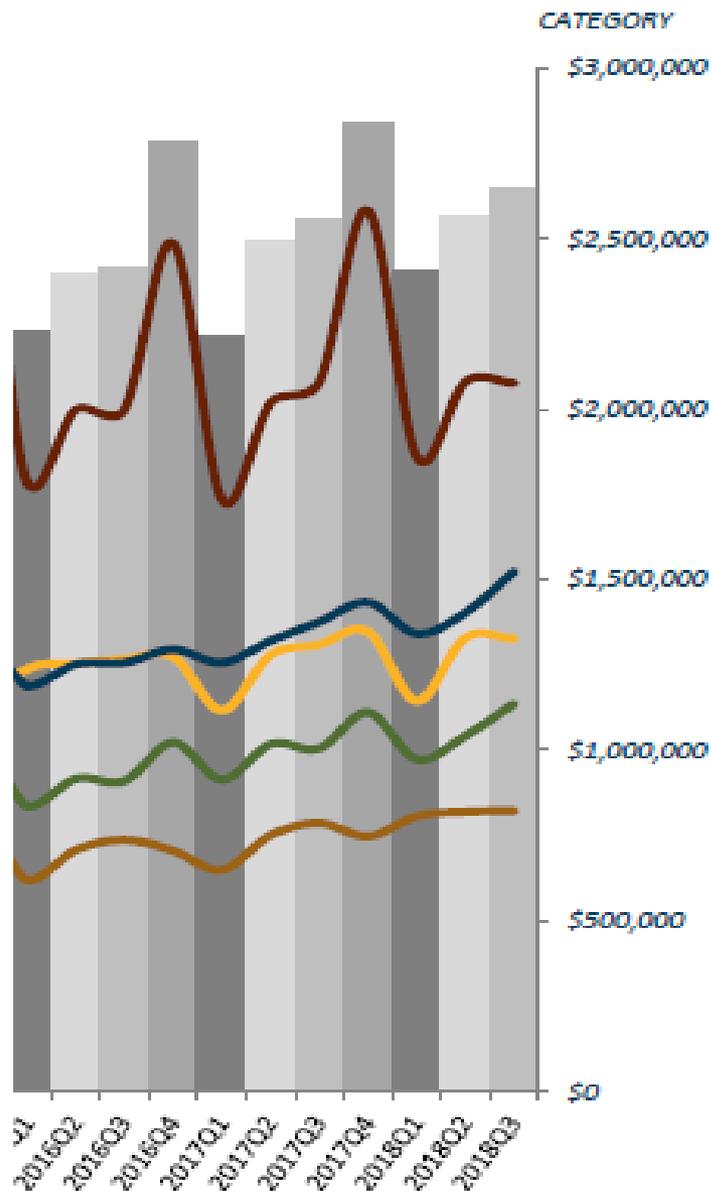
## Health & Government - 2

- DMV, Franchise Tax Board

# TAM District Tax Recent Performance



# TAM .5% District Tax Performance



Q3

## TOTAL

2018Q3	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$7,053,848	3.4%	\$230,697	4.0%	\$1,073,388

## GENERAL RETAIL

2018Q3	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$2,075,139	-0.2%	-\$4,932	3.3%	\$277,014

% of 2018Q3 Total: 29.4%

## FOOD PRODUCTS

2018Q3	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$1,327,340	1.4%	\$17,774	3.4%	\$169,078

% of Total: 18.8%

## TRANSPORTATION

2018Q3	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$1,523,566	10.7%	\$147,568	8.6%	\$453,790

% of Total: 21.6%

## CONSTRUCTION

2018Q3	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$822,062	4.6%	\$36,241	10.5%	\$303,917

% of Total: 11.7%

## BUSINESS TO BUSINESS

2018Q3	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$1,136,501	13.0%	\$131,117	7.7%	\$303,389

% of Total: 16.1%

QoQ = 18Q3 / 17Q3

YoY = YE 18Q3 / YE 17Q3

# TAM 'District Tax' Sales Tax Performance

	YE 2016Q3	YE 2017Q3	YE 2018Q3
<b>Total Receipts</b>	<b>\$25,595,979</b>	<b>\$26,548,413</b>	<b>\$27,554,226</b>
<b>General Retail</b>	<b>\$8,272,625</b>	<b>\$8,319,909</b>	<b>\$8,596,923</b>
<b>Food Products</b>	<b>\$4,863,788</b>	<b>\$4,978,824</b>	<b>\$5,147,902</b>
<b>Transportation</b>	<b>\$4,960,571</b>	<b>\$5,247,751</b>	<b>\$5,701,541</b>
<b>Construction</b>	<b>\$2,807,227</b>	<b>\$2,890,295</b>	<b>\$3,194,212</b>
<b>Business To Business</b>	<b>\$3,619,054</b>	<b>\$3,958,158</b>	<b>\$4,261,547</b>
<b>Miscellaneous</b>	<b>\$755,403</b>	<b>\$681,196</b>	<b>\$578,965</b>

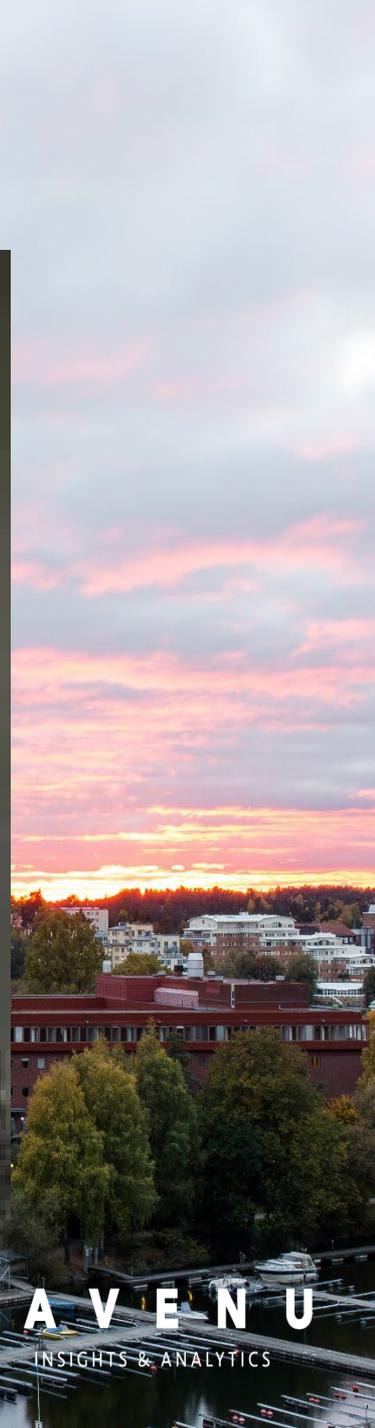
# TAM 'District Tax' Sales Tax Performance

		YE 2016Q3	YE 2017Q3	YE 2018Q3
	<b>General Retail</b>	\$8,272,625	\$8,319,909	\$8,596,923
	Apparel Stores	1,709,426	1,703,453	1,748,237
	Department Stores	1,390,184	1,453,281	1,433,854
	Furniture/Appliance	1,321,943	1,347,836	1,454,827
	Drug Stores	425,222	420,076	413,634
	Recreation Products	444,646	476,968	487,838
	Florist/Nursery	184,235	188,873	190,172
	Miscellaneous Retail	2,796,969	2,729,422	2,868,361
	<b>Food Products</b>	\$4,863,788	\$4,978,824	\$5,147,902
	Restaurants	3,182,181	3,228,587	3,335,378
	Food Markets	1,373,106	1,427,025	1,468,222
	Liquor Stores	157,678	162,530	169,522
	Food Processing Eqp	150,823	160,682	174,780

# TAM 'District Tax' Sales Tax Performance

		YE 2016Q3	YE 2017Q3	YE 2018Q3
	<b>Transportation</b>	<b>\$4,960,571</b>	<b>\$5,247,751</b>	<b>\$5,701,541</b>
	Auto Parts/Repair	537,815	500,857	550,003
	Auto Sales - New	2,553,479	2,759,049	2,872,160
	Auto Sales - Used	199,882	209,666	243,925
	Service Stations	1,483,221	1,585,133	1,830,462
	Misc. Vehicle Sales	186,174	193,046	204,991
	<b>Construction</b>	<b>\$2,807,227</b>	<b>\$2,890,295</b>	<b>\$3,194,212</b>
	Bldg.Matls-Whsle	1,715,798	1,785,096	1,901,581
	Bldg.Matls-Retail	1,091,429	1,105,199	1,292,631

# Sales Tax Future?



# Sales Tax Future - Recent Trends Will Continue

- **Sharing Economy** – Goods are becoming services. Are autos next? A car becomes a mobility service.
- **Millennials Impact** – Preference for less goods & more experiences
- **Convenience** – Overtakes cost as the primary consumer driver
- **Technology** – Digital complementary to physical
- **Voice** – How will this transform retail?

# Sales Tax Future – Reform on the Horizon?

- CA State Auditor Report - 2017
- Review Sales Tax Exemptions
- Explore Taxing Digital Goods and Services
- End ‘Pooling’ of Internet Sales & Third Party Vehicle Sales
- Opportunity to Broaden the Base and Potentially Lower Rate
- CA 20 (Glazer) Legislative Discussion Started Last Year



## The Bradley-Burns Tax and Local Transportation Funds

Changing the Allocation Structure for the Bradley-Burns Tax Would Result in a More Equitable Distribution of Local Transportation Funding

Report 2017-106

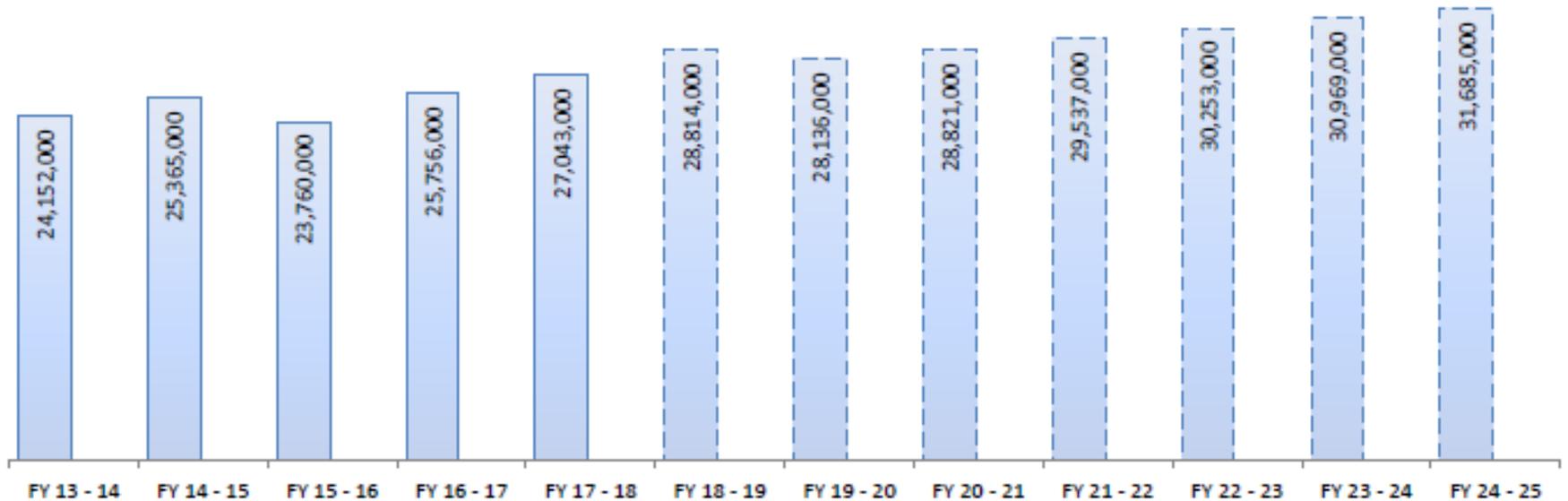
**Thank you...Questions?**

# TAM .5% Bradley Burns Sales Tax Forecast

## Transportation Auth of Marin 1/2% Sales & Use Tax Forecast Summary

Accrual through August Clean-up

Voter Approved	FY 17 - 18	FY 18 - 19	FY 19 - 20	FY 20 - 21	FY 21 - 22	FY 22 - 23	FY 23 - 24	FY 24 - 25
Cash Projection	27,043,000	28,814,000	28,136,000	28,821,000	29,537,000	30,253,000	30,969,000	31,685,000
Percent Change	5.0%	6.5%	-2.4%	2.4%	2.5%	2.4%	2.4%	2.3%
	464,400	(464,400)	CDTFA "Extra June Advance" Received Aug '18 for unprocessed 2018Q1 sales tax returns					
Final Cash Projection	27,507,400	28,349,600	28,136,000	28,821,000	29,537,000	30,253,000	30,969,000	31,685,000
	6.8%	3.1%	-0.8%	2.4%	2.5%	2.4%	2.4%	2.3%
	375,600	(375,600)	Balance of Estimated 2018Q1 unprocessed sales tax returns					
Normalized								
for Missing Payments	27,883,000	27,974,000	28,136,000	28,821,000	29,537,000	30,253,000	30,969,000	31,685,000
	8.3%	0.3%	0.6%	2.4%	2.5%	2.4%	2.4%	2.3%



# TAM .5% Bradley Burns Sales Tax Forecast

Recession Scenario	\$28,814,259	\$28,135,804	\$27,054,740	\$26,586,953	\$27,231,453	\$27,875,954	\$28,520,455
% Change from Prior Fiscal Year			-3.8%	-1.7%	2.4%	2.4%	2.3%
Fiscal Year to Fiscal Year Change			(\$1,081,064)	(\$467,787)	\$644,500	\$644,501	\$644,501
Difference between Recession and Most-Likely Scenarios			(\$1,765,968)	(\$2,949,762)	(\$3,021,268)	(\$3,092,773)	(\$3,164,279)