

# Q2 2017



# Beverly Hills Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

## Beverly Hills In Brief

**B**everly Hills' receipts from April through June were 4.5% above the second sales period in 2016.

**T**he spike in luxury brand auto sales was exaggerated by a retro-active adjustment. Actual revenues were 27% higher than a year ago achieving the best sales since early 2015.

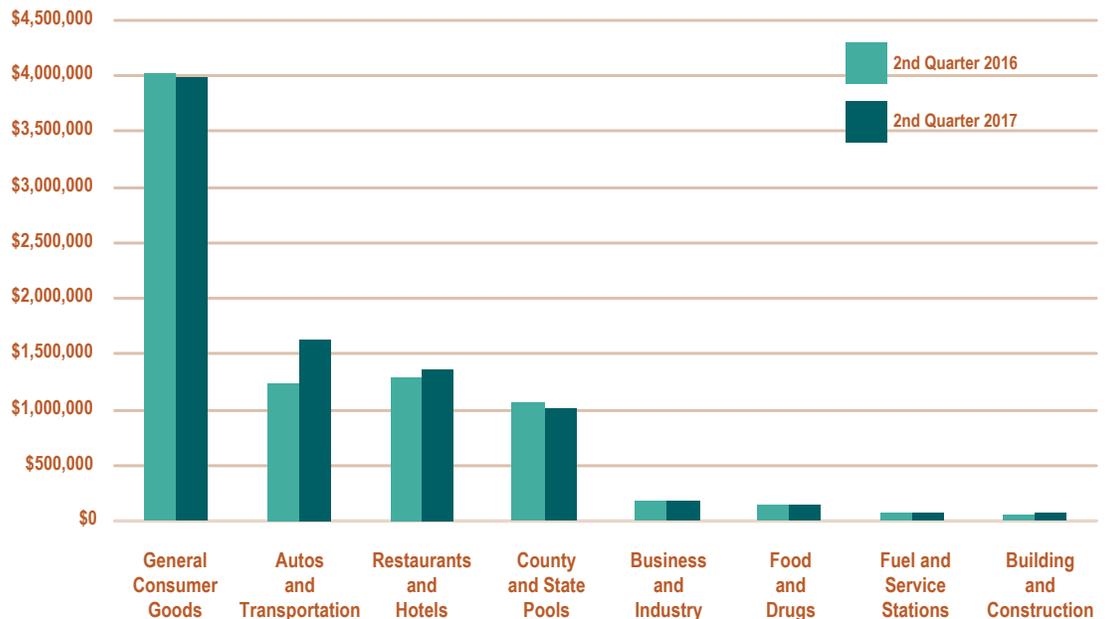
**T**ourist-related lodging outperformed the region as a whole while recent openings boosted the casual dining category. However, fine dining trailed as new offerings and formats expanded within easy reach.

**H**igh end retail was boosted by expansions and flagship locations hosting some of the top performing brands in the state. However, the slump in department store sales combined with the shift to online sales in this sector dragged down general consumer goods. A reporting error in women's apparel and store closeout in shoe stores also contributed.

**A** onetime statewide correction accounted for the decline in the countywide use tax allocation pool.

**N**et of aberrations, taxable sales for all of Los Angeles County grew 2.9% over the comparable time period; the Southern California region was up 3.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Audi Beverly Hills	Jim Falk Lexus of Beverly Hills
Audi Leasing	Louis Vuitton
Barneys	Mastros Steakhouse
Beverly Hills Hotel	McLaren Beverly Hills
Beverly Hilton Hotel	Mercedes Benz of Beverly Hills
Beverly Wilshire Hotel	Neiman Marcus
Cartier	O'Gara Coach Company
Chanel	Porsche Leasing
Daimler Trust	Saks Fifth Ave
Ferrari of Beverly Hills	Tom Ford
Gearys	Toyota Lease Trust
Gucci	XIV Karats
Hermes	

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$7,025,399	\$7,436,762
County Pool	1,054,587	1,015,825
State Pool	2,464	(3,889)
<b>Gross Receipts</b>	<b>\$8,082,450</b>	<b>\$8,448,698</b>
Less Triple Flip*	\$0	\$0

\*Reimbursed from county compensation fund

**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

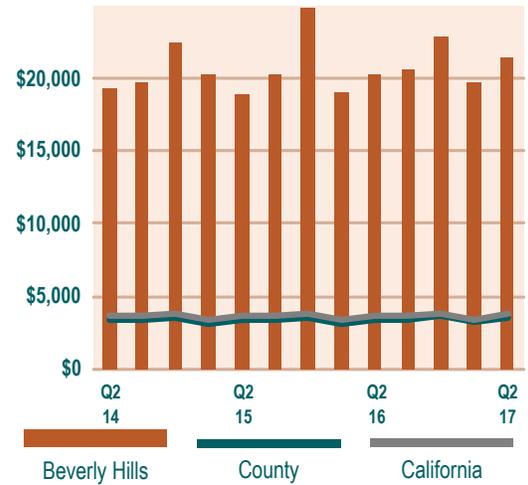
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

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.

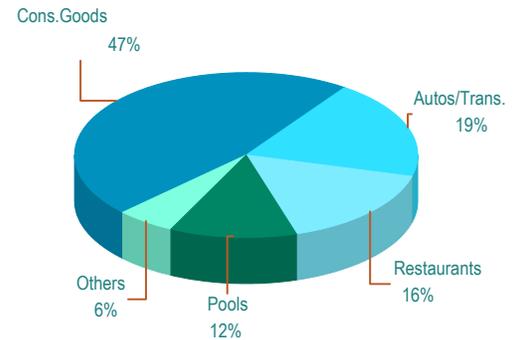
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has 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.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Beverly Hills This Quarter



**BEVERLY HILLS TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Beverly Hills Q2 '17*	Beverly Hills Change	County Change	HdL State Change
Art/Gift/Novelty Stores	87.7	85.8%	3.9%	-2.0%
Auto Lease	539.3	18.1%	12.9%	15.5%
Casual Dining	214.3	4.5%	2.7%	1.9%
Department Stores	— CONFIDENTIAL —		0.0%	-2.3%
Family Apparel	900.9	12.6%	4.4%	4.0%
Fine Dining	541.2	7.2%	12.8%	13.4%
Home Furnishings	125.2	-4.8%	6.0%	0.5%
Hotels-Liquor	467.2	9.4%	3.5%	3.3%
Jewelry Stores	454.9	-0.6%	0.0%	1.0%
Men's Apparel	125.5	6.1%	9.3%	2.2%
New Motor Vehicle Dealers	1,033.1	41.7%	2.7%	3.2%
Quick-Service Restaurants	104.9	-0.3%	5.6%	5.9%
Shoe Stores	88.3	-29.4%	4.4%	4.0%
Specialty Stores	504.7	4.9%	1.1%	1.0%
Women's Apparel	417.9	-16.1%	-4.2%	-3.8%
<b>Total All Accounts</b>	<b>7,436.8</b>	<b>5.9%</b>	<b>4.8%</b>	<b>6.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>1,011.9</b>	<b>-4.3%</b>	<b>-5.2%</b>	<b>-9.9%</b>
<b>Gross Receipts</b>	<b>8,448.7</b>	<b>4.5%</b>	<b>3.5%</b>	<b>4.1%</b>