

# Q3 2019



# Beverly Hills Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2019)

## Beverly Hills In Brief

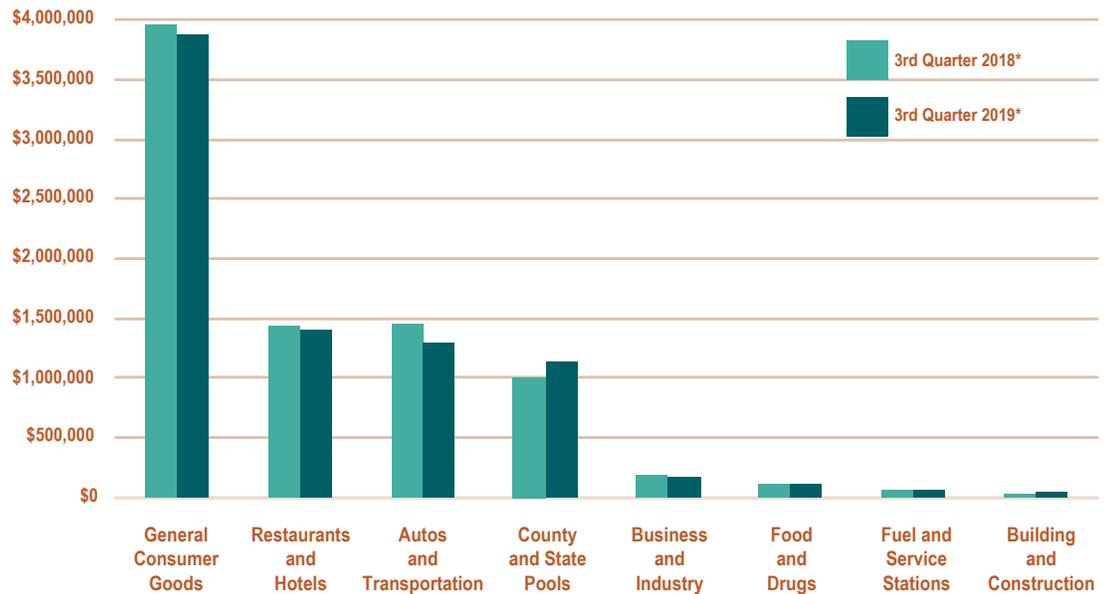
Beverly Hills' receipts from July through September were 13.2% below the third sales period in 2018, though a large portion of this decline was the result of anomalies in payment timing that occurred after the State's recent transition to a new reporting system. After adjusting for the correct allocation period, sales were down 1.5%.

This too was an aberration, however, as misallocations artificially deflated the new motor vehicle dealer and jewelry store categories. The City's audit program is working with the State and other appropriate parties to correct these errors and a future recovery for each is expected.

The recent opening of a new general consumer goods retailer was a positive, as was a surge in allocations from the Los Angeles county-wide use-tax pool. This funding has been bolstered by implementation of California's AB 147, which has established a lower threshold to collect use-tax on internet sales and has contributed to 14% growth in Beverly Hill's receipts from the pool.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.7% over the comparable time period; the Southern California region was up 2.8%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Audi Leasing	Lamborghini of Beverly Hills
Barneys	Louis Vuitton
Beverly Hills Hotel	Mercedes Benz of Beverly Hills
Beverly Hilton Hotel	Neiman Marcus
Beverly Wilshire Hotel	Porsche Leasing
Chanel	Saks Fifth Avenue
Christian Dior	Tom Ford
Daimler Trust	Toyota Lease Trust
Gearys	Waldorf Astoria
Goyard	Wally's Vinoteca
Gucci	XIV Karats
Hermes	Yves Saint Laurent
Jim Falk Lexus of Beverly Hills	

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2018-19	2019-20
Point-of-Sale	\$8,526,817	\$7,206,526
County Pool	1,157,371	1,204,815
State Pool	4,376	2,879
<b>Gross Receipts</b>	<b>\$9,688,564</b>	<b>\$8,414,220</b>

**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

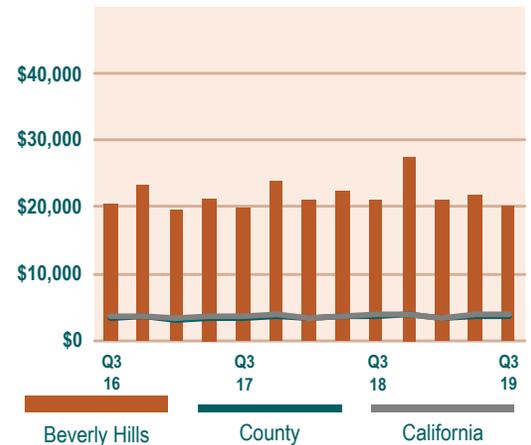
tax measures on the November 2019 ballot adding six new districts and extending two others.

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%.

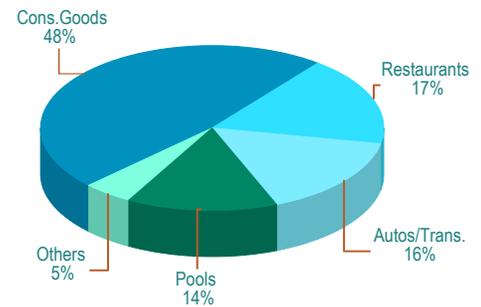
Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.

**SALES PER CAPITA\***



\*Allocation aberrations have been adjusted to reflect sales activity

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



\*Allocation aberrations have been adjusted to reflect sales activity

**BEVERLY HILLS TOP 15 BUSINESS TYPES\*\***

Business Type	*In thousands of dollars			
	Beverly Hills Q3 '19*	Change	County Change	HdL State Change
Auto Lease	655.2	1.3%	2.0%	4.6%
Casual Dining	227.6	4.0%	2.6%	2.3%
Department Stores	— CONFIDENTIAL —		-8.2%	-9.5%
Family Apparel	1,355.5	2.1%	0.3%	1.5%
Fine Dining	608.7	-2.8%	-0.8%	-3.1%
Home Furnishings	103.6	-16.1%	-1.2%	-1.0%
Hotels-Liquor	436.9	-0.4%	1.1%	1.4%
Jewelry Stores	483.4	-15.7%	-1.9%	0.2%
Medical/Biotech	66.9	21.1%	-9.1%	6.6%
Men's Apparel	78.0	-19.6%	-3.1%	-4.5%
New Motor Vehicle Dealers	554.2	-22.1%	-4.5%	-7.2%
Quick-Service Restaurants	96.1	-5.3%	1.7%	2.6%
Specialty Stores	257.0	7.6%	3.1%	0.3%
Transportation/Rentals	68.1	12.6%	-0.5%	2.1%
Women's Apparel	376.8	-1.7%	-4.1%	-5.6%
<b>Total All Accounts</b>	<b>6,974.4</b>	<b>-3.5%</b>	<b>0.2%</b>	<b>0.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>1,140.8</b>	<b>13.5%</b>	<b>21.2%</b>	<b>14.9%</b>
<b>Gross Receipts</b>	<b>8,115.2</b>	<b>-1.5%</b>	<b>2.7%</b>	<b>2.3%</b>

\*\* Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.