

# Q1 2020



# Beverly Hills Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

## Beverly Hills In Brief

Beverly Hills' receipts from January through March were 34.4% below the first sales period in 2019. However, tax payment deferrals offered by the State has temporarily delayed actual receipts. Once estimated payments are incorporated into the data and reporting aberrations excluded, actual sales were still down 16.1%.

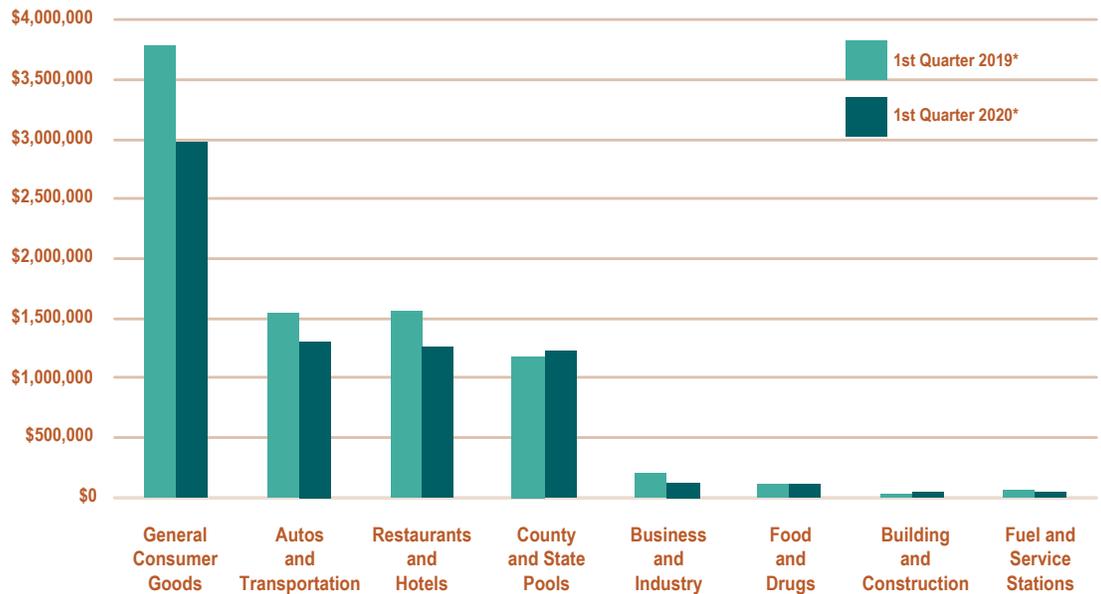
This quarter is the first negatively impacted by the economic shutdown resulting from Covid-19 and the shelter-in-place directive which began in March 2020. General consumer goods and restaurants were the most immediately hindered, however new auto dealers were also adversely affected.

The business-industrial sector, which benefitted from one-time allocations in the prior year, did not experience the same activity in the current quarter.

Continued new tax revenue from online sales by out-of-state retailers due to the enactment of AB147 and increased sales due to the shutdown, boosted results from the countywide use tax pool, helping offset the declines.

Net of aberrations, taxable sales for all of Los Angeles County declined 5.3% over the comparable time period; the Southern California region was down 4.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Audi Leasing	Gucci
Barneys	Hermes
Beverly Hills Hotel	Jim Falk Lexus of Beverly Hills
Beverly Hills MD	Lamborghini of Beverly Hills
Beverly Hilton Hotel	Louis Vuitton
Beverly Wilshire Hotel	Mercedes Benz of Beverly Hills
Cartier	Neiman Marcus
Chanel	Porsche Leasing
Christian Dior	Saks Fifth Avenue
Daimler Trust	Toyota Lease Trust
Ferrari of Beverly Hills	XIV Karats
Financial Services Vehicle Trust	Yves Saint Laurent
Gearys	

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2018-19	2019-20
Point-of-Sale	\$25,280,400	\$20,977,465
County Pool	3,634,310	4,109,004
State Pool	13,177	11,728
<b>Gross Receipts</b>	<b>\$28,927,887</b>	<b>\$25,098,197</b>

**Statewide Results**

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

**New Challenges & Opportunities**

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

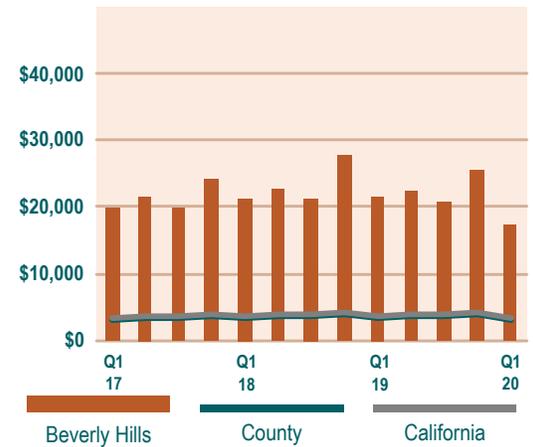
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

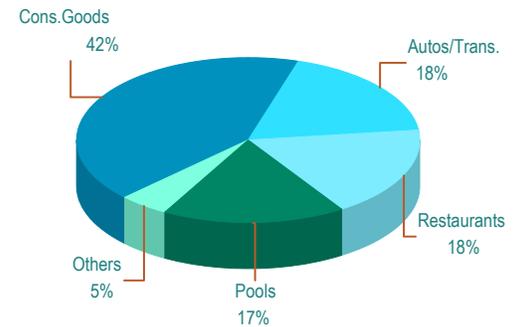
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

**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 Q1 '20*	Change	County Change	HdL State Change
Art/Gift/Novelty Stores	73.4	-25.6%	-17.2%	-17.2%
Auto Lease	625.8	-0.5%	-2.9%	1.6%
Casual Dining	190.8	-14.2%	-19.4%	-18.8%
Department Stores	— CONFIDENTIAL —	—	-35.7%	-34.7%
Drug Stores	58.5	3.4%	4.7%	3.4%
Family Apparel	967.8	-24.0%	-22.6%	-21.1%
Fine Dining	513.6	-23.8%	-24.8%	-24.1%
Home Furnishings	90.0	-27.0%	-13.1%	-12.9%
Hotels-Liquor	425.7	-16.9%	-23.2%	-28.4%
Jewelry Stores	517.0	27.5%	-0.4%	-3.0%
New Motor Vehicle Dealers	611.7	-27.6%	-11.1%	-10.6%
Quick-Service Restaurants	79.2	-17.4%	-9.5%	-8.5%
Second-Hand Stores	62.9	144.3%	-12.2%	-14.4%
Specialty Stores	232.5	-1.7%	-10.1%	-10.1%
Women's Apparel	285.4	-23.2%	-29.4%	-31.6%
<b>Total All Accounts</b>	<b>5,882.7</b>	<b>-19.5%</b>	<b>-9.9%</b>	<b>-7.3%</b>
<b>County &amp; State Pool Allocation</b>	<b>1,232.1</b>	<b>4.7%</b>	<b>25.5%</b>	<b>22.4%</b>
<b>Gross Receipts</b>	<b>7,114.8</b>	<b>-16.1%</b>	<b>-5.3%</b>	<b>-3.0%</b>

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