

Q2 2019



Humboldt County Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

Humboldt County In Brief

The unincorporated area's receipts from April through June were 45.2% above the second sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system in the prior year which temporarily delayed distributions to the County.

Excluding reporting aberrations, actual sales were down 4.0%.

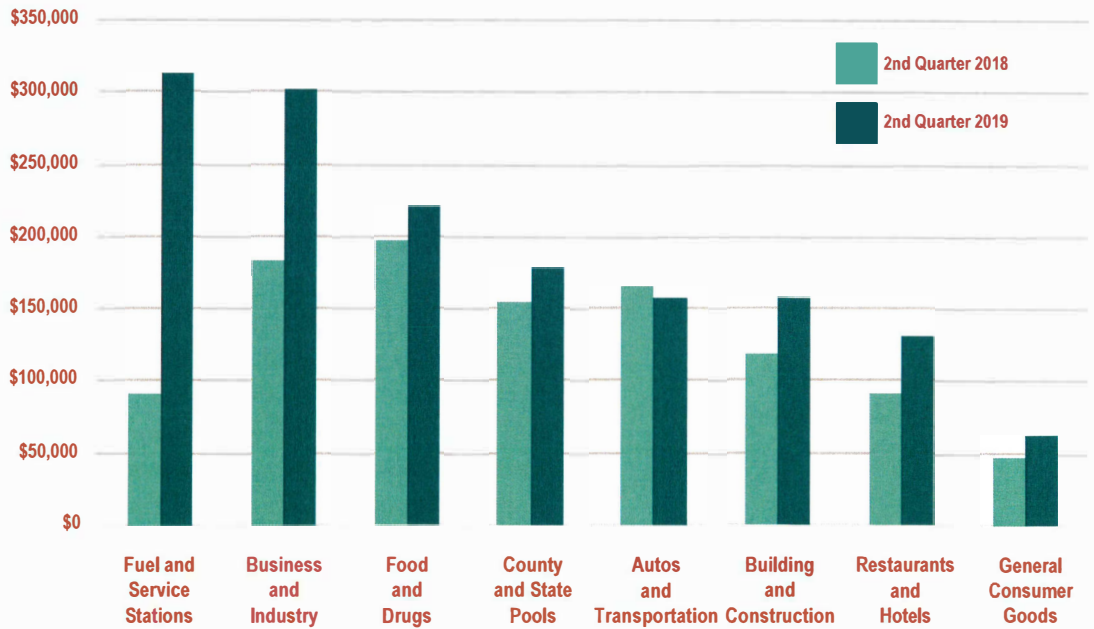
Business and industry had shifting ownerships and some reporting irregularities resulting in a decline of 26.5%, after accounting for the anomalies. Missing payments in the comparison quarter hid the decline in fuel and service station.

After accounting for the anomalies, autos and transportation had solid growth of 6.1%.

The unincorporated areas portion of the countywide pool was \$178,114, which was also affected by reporting irregularities.

Net of aberrations, taxable receipts for all of Humboldt County declined 0.7% over the comparable time period; the Far North region was up 6.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

| | |
|----------------------------------|-----------------------------|
| 76 Gas | Mercer Fraser Company |
| Ace Hardware | Mickey's Used Cars |
| Apexnorth | Miller Farms Nursery |
| Bayside Garden Supply | Murphys Sunnybrae Market |
| Bear River Pump & Play | Murrishs Hydesville Market |
| BMW of Humboldt Bay | Patriot Gas |
| Chevron | Redway Feed & Garden Supply |
| Dazeys Supply | Root 101 Nursery |
| Dinsmore Store | Safeway |
| Financial Services Vehicle Trust | Shell Oil |
| Kernen Construction | Shop Smart |
| L & M Renner | Sylvandale Gardens |
| Mckinleyville Chevrolet Buick | |

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

| | 2017-18 | 2018-19 |
|-----------------------|--------------------|--------------------|
| Point-of-Sale | \$4,856,547 | \$5,357,382 |
| County Pool | 676,052 | 748,492 |
| State Pool | 2,806 | 2,653 |
| Gross Receipts | \$5,535,405 | \$6,108,527 |

California Overall

The local one percent share of California's sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client's sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

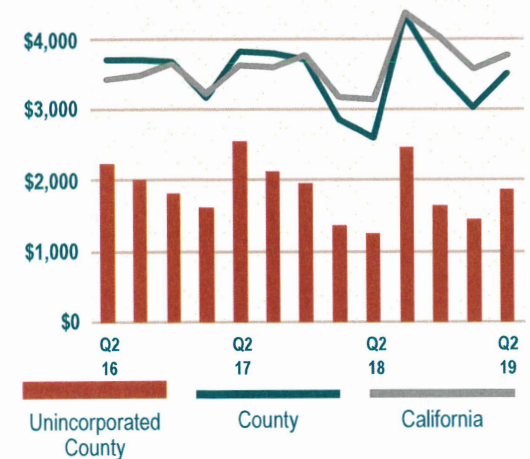
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California's approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

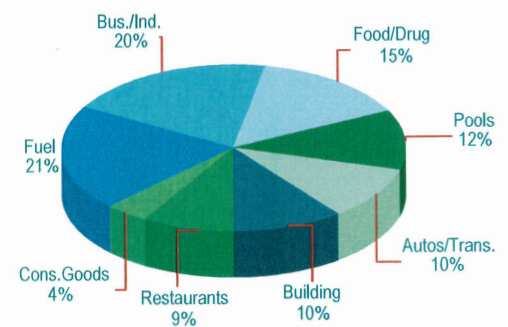
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state's sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Humboldt Co. Uninc This Quarter



HUMBOLDT COUNTY TOP 15 BUSINESS TYPES

| Business Type | Unincorporated County | | County | HdL State |
|---|-----------------------|--------------|--------------|--------------|
| | Q2 '19* | Change | Change | Change |
| Auto Repair Shops | 26.7 | 3.0% | 25.7% | 21.6% |
| Automotive Supply Stores | 21.9 | -7.2% | 12.0% | 16.4% |
| Building Materials | 81.4 | 20.9% | 11.1% | 34.2% |
| Cannabis Related | 24.2 | 43.2% | 79.1% | 71.7% |
| Casual Dining | 57.5 | 35.1% | 39.7% | 24.5% |
| Contractors | 64.1 | 52.9% | 57.6% | 26.8% |
| Convenience Stores/Liquor | 73.9 | 25.5% | 14.2% | 14.9% |
| Fuel/Ice Dealers | 22.6 | 30.4% | 39.1% | 76.3% |
| Garden/Agricultural Supplies | 218.1 | 64.5% | 64.4% | 22.0% |
| Grocery Stores | 93.6 | 2.6% | 6.6% | 9.6% |
| New Motor Vehicle Dealers | — CONFIDENTIAL — | | 23.2% | 5.4% |
| Petroleum Prod/Equipment | — CONFIDENTIAL — | | na | 15.5% |
| Quick-Service Restaurants | 27.3 | 17.0% | 17.3% | 15.7% |
| Service Stations | 186.5 | 157.9% | 146.1% | 51.4% |
| Used Automotive Dealers | — CONFIDENTIAL — | | 18.3% | 90.0% |
| Total All Accounts | 1,343.9 | 50.3% | 34.4% | 20.1% |
| County & State Pool Allocation | 178.1 | 15.7% | 3.4% | 22.4% |
| Gross Receipts | 1,522.0 | 45.2% | 29.9% | 20.4% |