

Measure Z Revenue Estimates

Finance Department

Budget Engagement Commission

April 19, 2017

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BACKGROUND

- Measure Z is a 1% transactions and use tax
- Approved on November 8, 2016 (60%)
 - Effective as of April 1, 2017



SALES AND USE TAX LAW

- "Local Tax" is the general term for sales and use taxes imposed under the Bradley-Burns Uniform Sales and Use Tax Law
- The basic statewide sales and use tax rate is 7.25% and is divided as follows:
 - 6.00% State, **1.00% Local Jurisdiction (City/County)**, 0.25% Local Transportation Fund (County)
- The City's sales tax revenues are estimated to be \$63.1 million in FY 2016-17 and approximately \$65.6 million in FY 2017-18



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TRANSACTION AND USE TAX LAW

- "District Taxes" are imposed locally under the Transactions and Use Tax Law
 - The tax rate in various cities and counties may be higher than 7.25%
- The City's Measure Z 1.00% transaction and use revenues are estimated to be \$10 million in FY 2016-17 and approximately \$51.6 million in FY 2017-18



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SALES VS TRANSACTION TAX

- Similar revenue generated for sales of:
 - General consumer goods
 - Restaurants
 - Service stations
 - Other merchandise picked-up or consumed at store



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SALES VS TRANSACTION TAX

- Different revenue generated for sales of:
 - Autos, boats, aircraft
 - Building/construction supplies
 - Business-to-Business sales
- Transaction tax only applied to city residents and businesses registered in the city



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MEASURE Z REVENUE ESTIMATES

- HdL methodology
- City's 25-year sales tax history
- When will we know accuracy of estimates?



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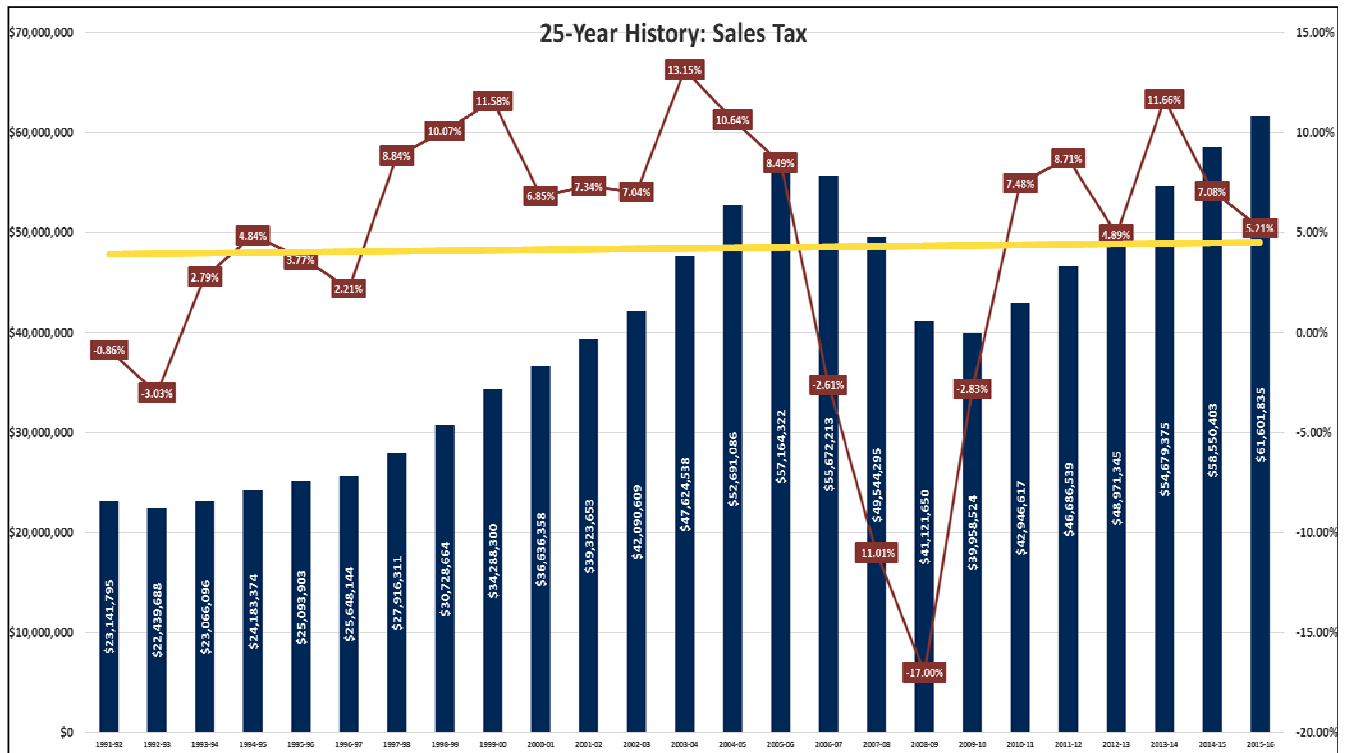
HDL ESTIMATES

- Staff to meet with HdL to update estimates (if needed)
- HdL utilizes :
 - Past audit research and analysis of companies reporting sales in Riverside
 - Per capita averages
 - Analysis other jurisdictions levying a transaction tax that have similar baskets of goods to Riverside



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HOW IS SALES TAX REVENUE CALCULATED

Sales In

April

May

June



Revenue In

—

—

June – 30% Adv

July – 30% Adv

August – 40% Adv

Sept – Clean Up



RECOMMENDATIONS

That the Budget Engagement Commission review Measure Z revenue estimates and determine if changes to the revenue assumptions should be applied to the five-year spending recommendations made to the City Council.

