

# Measure Z Revenue Estimates

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## Finance Department

Budget Engagement Commission

April 19, 2017

# 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



## 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



# SALES VS TRANSACTION TAX

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



# 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



# MEASURE Z REVENUE ESTIMATES

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



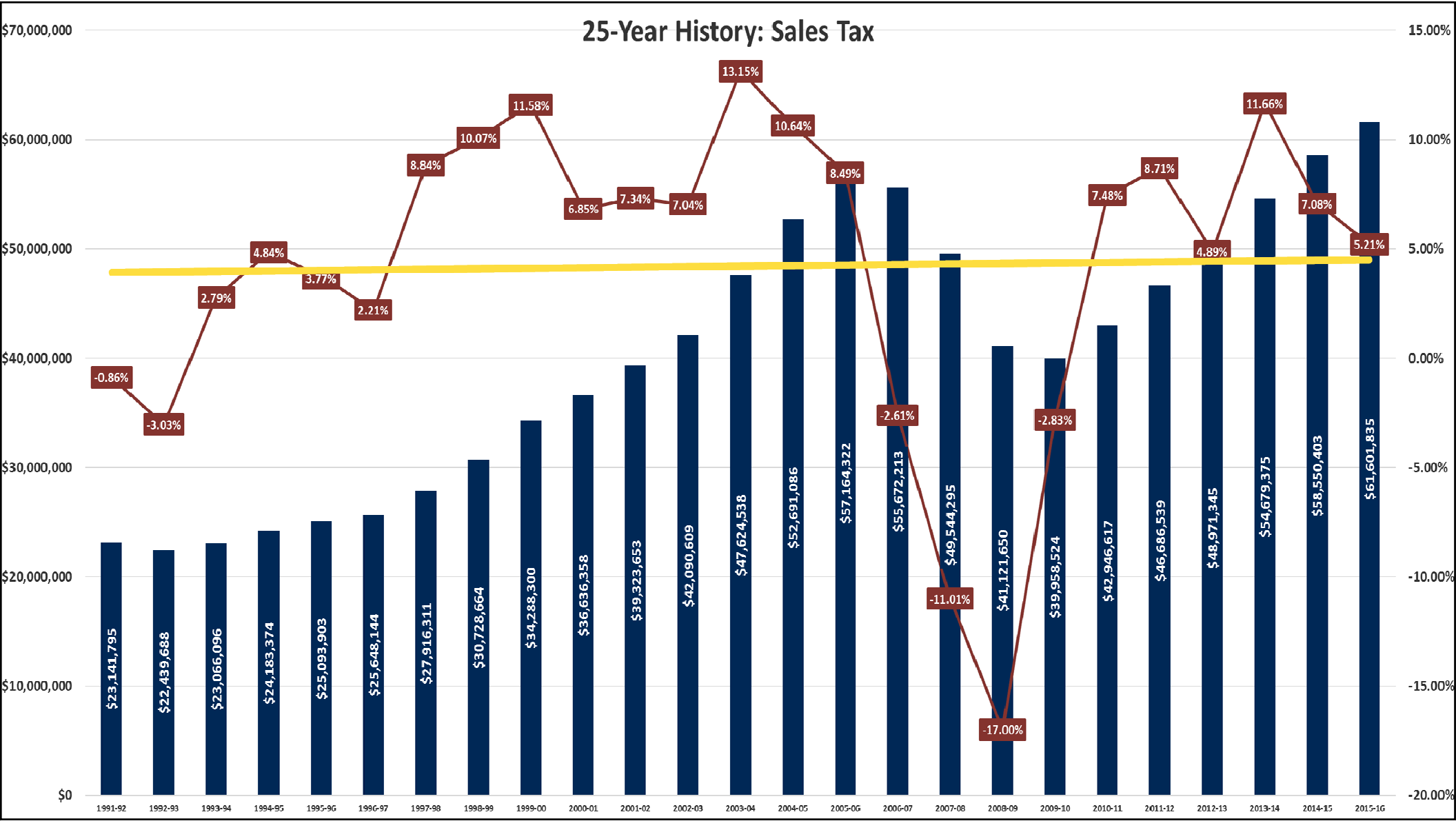
# HdL ESTIMATES

- 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





# 25-Year History: Sales Tax



# HOW IS SALES TAX REVENUE CALCULATED

<u>Sales In</u>		<u>Revenue In</u>
April		–
May		–
June	↔	June – 30% <u>Adv</u>
		July – 30% <u>Adv</u>
		August – 40% <u>Adv</u>
		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.

