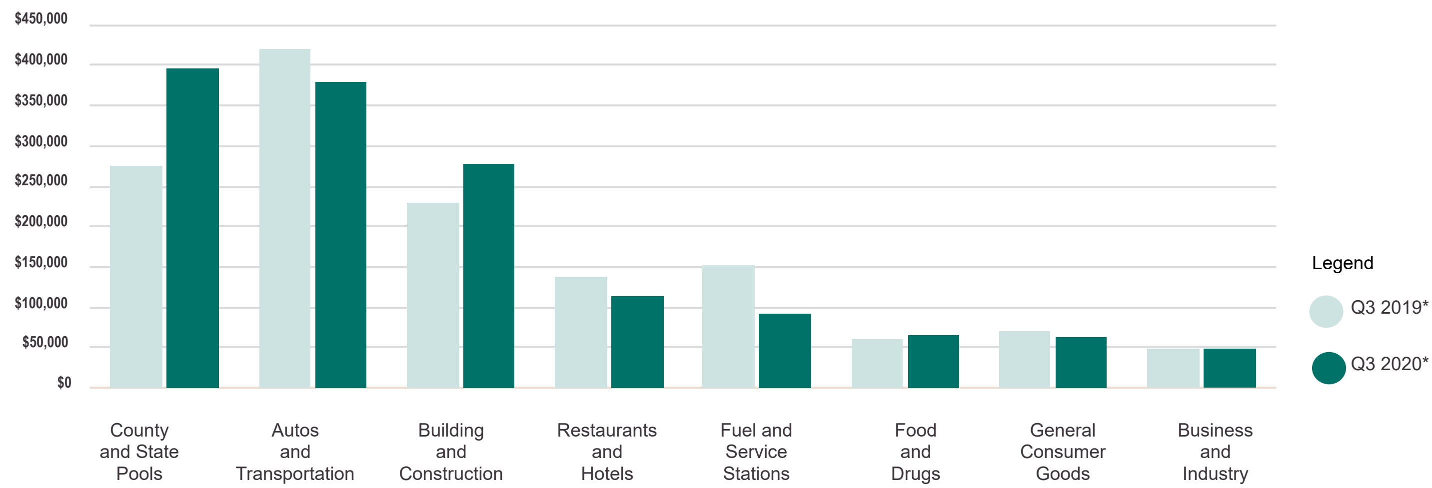
CITY OF PLACERVILLE
SALES TAX UPDATE
3Q 2020 (JULY - SEPTEMBER)

PLACERVILLE	2.8%	7.1%	-0.9%
TOTAL: $ 1,436,755	3Q2020 ↑	COUNTY ↑	STATE ↓

*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



Measure J	Measure H	Measure L
TOTAL: $311,163	TOTAL: $311,166	TOTAL: $622,798
↑ 6.4%	↑ 6.4%	↑ 6.5%

CITY OF PLACERVILLE HIGHLIGHTS

Placerville's receipts from July through September were 0.9% above the third sales period in 2019. Excluding reporting aberrations, actual sales were up 2.1%.

Coronavirus pandemic impacts extended into this quarter; lower revenues materialized in casual dining, quick service restaurants and the autos-transportation group. Service stations had a double whammy as lesser travel required fewer gallons of gas while fuel prices remained suppressed. General consumer goods activity was down as well.

A bright spot was the 20% growth in building-construction as supplies flew off the shelves. Grocery store's increase included an offsetting effect from limited dining out opportunities.

The countywide use tax pool was inflated as a result of new money from marketplace facilitators and a rapid shift to online shopping as COVID-19 continues to influence consumer behavior.

When combined, Measures L, J and H remitted $1,245,127, a gain of 6.5% over the comparable period. Stronger than expected sales in general merchandise accounted for the bulk of this improvement.

TOP 25 PRODUCERS

- Big 5
- Big Lots
- C & H Motor Parts
- Diamond Pacific
- Ferguson Enterprises
- Grocery Outlet
- Home Depot
- In N Out Burger
- Les Schwab Tire Center
- McDonalds
- Officemax
- Placerville Shell
- Placerville Valero
- Raley's
- Rancho Convenience Center
- Rite Aid
- Save Mart
- Shell
- Sierra Fuel
- Thompsons Buick GMC
- Thompsons Chrysler Dodge Jeep Ram
- Thompson's Toyota
- Tractor Supply
- W N Hunt & Sons Distributors
- Western Refining Retail

HdL Companies

Published by HdL Companies in Winter 2021

STATEWIDE RESULTS

The local one-cent sales and use tax from sales occurring July through September was 0.9% lower than the same quarter one year ago after factoring for accounting anomalies. The losses were primarily concentrated in coastal regions and communities popular with tourists while much of inland California including the San Joaquin Valley, Sacramento region and Inland Empire exhibited gains.

Generally, declining receipts from fuel sales, brick and mortar retail and restaurants were the primary factors leading to this quarter's overall decrease. The losses were largely offset by a continuing acceleration in online shopping that produced huge gains in the county use tax pools where tax revenues from purchases shipped from out-of-state are allocated and in revenues allocated to jurisdictions with in-state fulfillment centers and order desks.

Additional gains came from a generally solid quarter for autos, RV's, food-drugs, sporting goods, discount warehouses, building material suppliers and home improvement purchases. Some categories of agricultural and medical supplies/equipment also did well.

Although the slight decline in comparable third quarter receipts reflected a significant recovery from the immediate previous period's deep decline, new coronavirus surges and reinstated restrictions from 2020's Thanksgiving and Christmas gatherings compounded by smaller federal stimulus programs suggest more significant drops in forthcoming revenues from December through March sales.

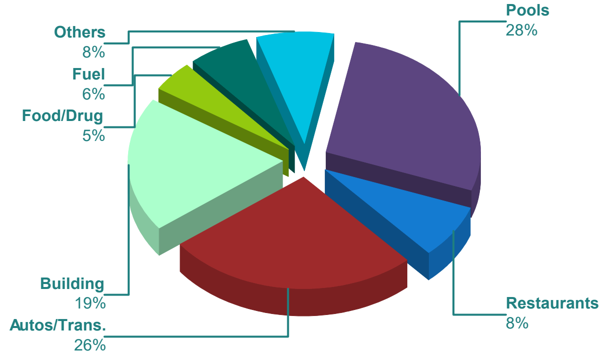
Additionally, the past few quarter's gains in county pool receipts that were generated by the shift to online shopping plus last year's implementation of the Wayfair v. South Dakota Supreme Court decision will level out after the first quarter of 2021.

Much of the initial demand for computers and equipment to accommodate home schooling and remote workplaces has been satisfied. Manufacturers are also reporting that absenteeism, sanitation protocols, inventory and imported parts shortages have reduced production capacity that will not be regained until mass vaccines have been completed, probably by the fall of 2021.

Significant recovery is not anticipated until 2021-22 with full recovery dependent on the specific character and make up of each jurisdiction's tax base. Part of the recovery will be a shift back to non-taxable services and activities. Limited to access because of pandemic restrictions, consumers spent 72% less on services during the third quarter and used the savings to buy taxable goods.

Full recovery may also look different than before the pandemic. Recent surveys find that 3 out of 4 consumers have discovered new online alternatives and half expect to continue these habits which suggests that the part of the recent shift of revenues allocated through countywide use tax pools and industrial distribution centers rather than stores will become permanent.

REVENUE BY BUSINESS GROUP
Placerville This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Placerville Business Type	Q3 '20*	Change	County Change	HdL State Change
Service Stations	73.3	-20.5%	-19.4%	-29.0%
Casual Dining	61.1	-23.9%	-15.1%	-38.0%
Quick-Service Restaurants	49.5	-4.0%	-2.5%	-10.3%
Automotive Supply Stores	45.6	-10.4%	5.6%	5.6%
Grocery Stores	40.0	6.8%	16.6%	7.1%
Sporting Goods/Bike Stores	13.1	10.9%	5.0%	22.0%
Auto Repair Shops	12.5	-6.4%	-3.6%	-13.7%
Convenience Stores/Liquor	12.1	12.6%	27.7%	15.1%
Home Furnishings	10.5	-1.6%	-8.5%	-3.5%
Paint/Glass/Wallpaper	10.4	15.6%	21.8%	0.6%

Allocation aberrations have been adjusted to reflect sales activity

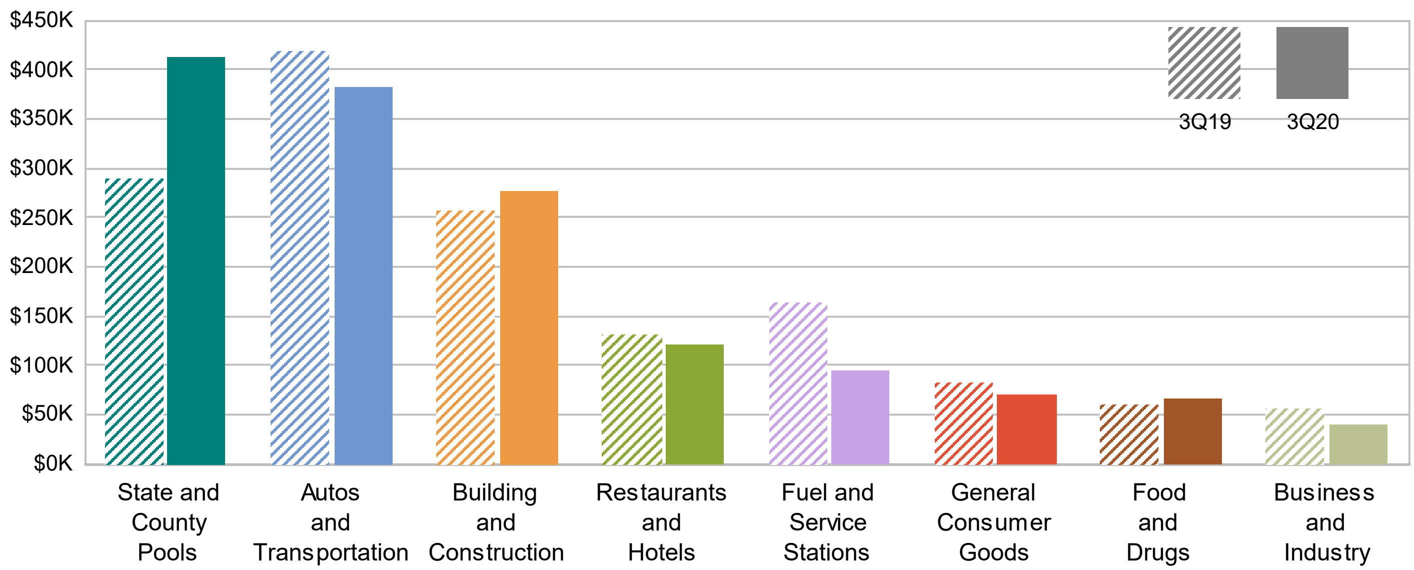
**In thousands of dollars*

CITY OF PLACERVILLE

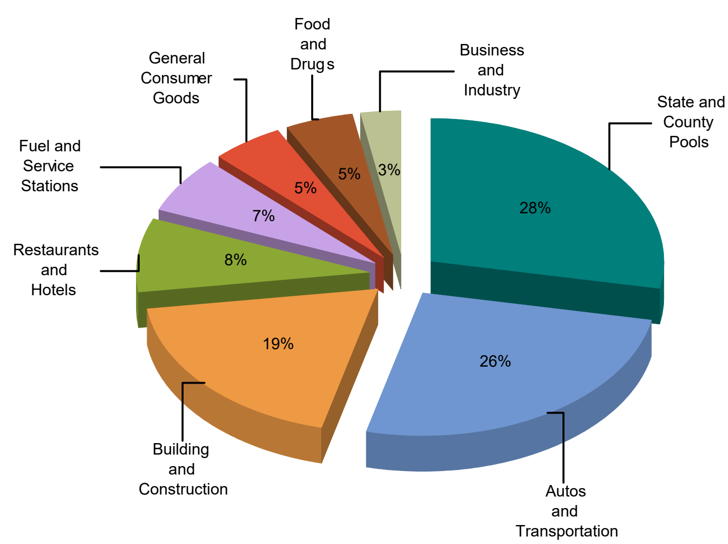
MAJOR INDUSTRY GROUPS

Major Industry Group	Count	3Q20	3Q19	$ Change	% Change
State and County Pools	-	412,783	288,978	123,805	42.8%
Autos and Transportation	48	383,011	418,695	(35,683)	-8.5%
Building and Construction	17	277,983	256,688	21,295	8.3%
Restaurants and Hotels	99	121,299	132,516	(11,217)	-8.5%
Fuel and Service Stations	21	96,546	163,972	(67,426)	-41.1%
General Consumer Goods	471	71,623	83,529	(11,906)	-14.3%
Food and Drugs	36	68,566	61,705	6,861	11.1%
Business and Industry	187	42,066	56,752	(14,687)	-25.9%
Transfers & Unidentified	12	1,678	(93)	1,771	-N/A-
Total	891	1,475,554	1,462,741	12,814	0.9%

3Q19 Compared To 3Q20



3Q20 Percent of Total



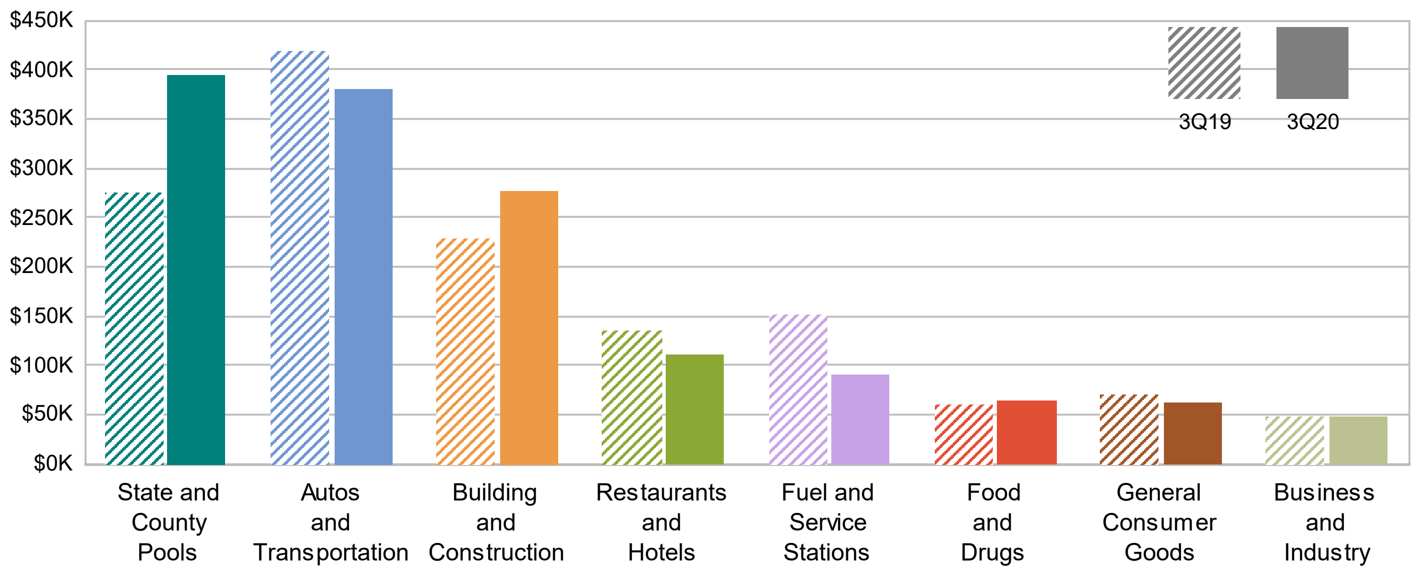
ADJUSTED FOR ECONOMIC DATA

CITY OF PLACERVILLE

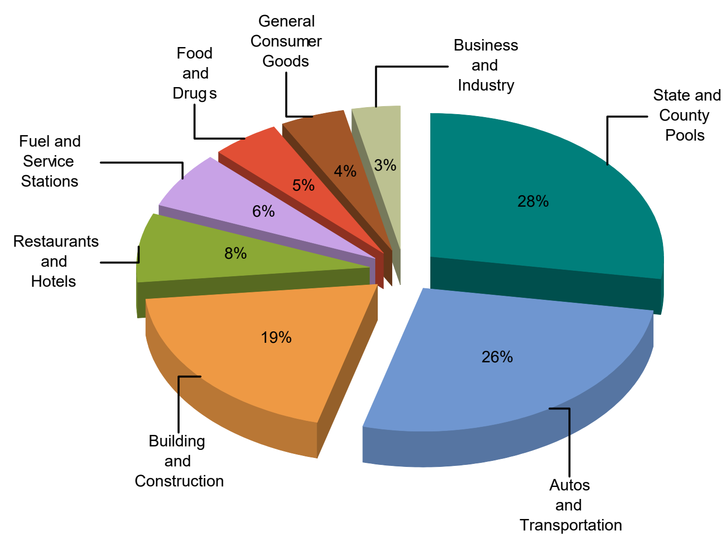
MAJOR INDUSTRY GROUPS

Major Industry Group	Count	3Q20	3Q19	$ Change	% Change
State and County Pools	-	395,236	276,021	119,215	43.2%
Autos and Transportation	48	380,092	420,120	(40,028)	-9.5%
Building and Construction	17	276,863	229,451	47,412	20.7%
Restaurants and Hotels	99	112,832	137,254	(24,422)	-17.8%
Fuel and Service Stations	21	92,134	152,180	(60,046)	-39.5%
Food and Drugs	36	65,420	61,547	3,873	6.3%
General Consumer Goods	471	63,077	71,156	(8,079)	-11.4%
Business and Industry	187	49,049	48,765	284	0.6%
Transfers & Unidentified	12	2,052	1,561	492	31.5%
Total	891	1,436,755	1,398,054	38,701	2.8%

3Q19 Compared To 3Q20



3Q20 Percent of Total

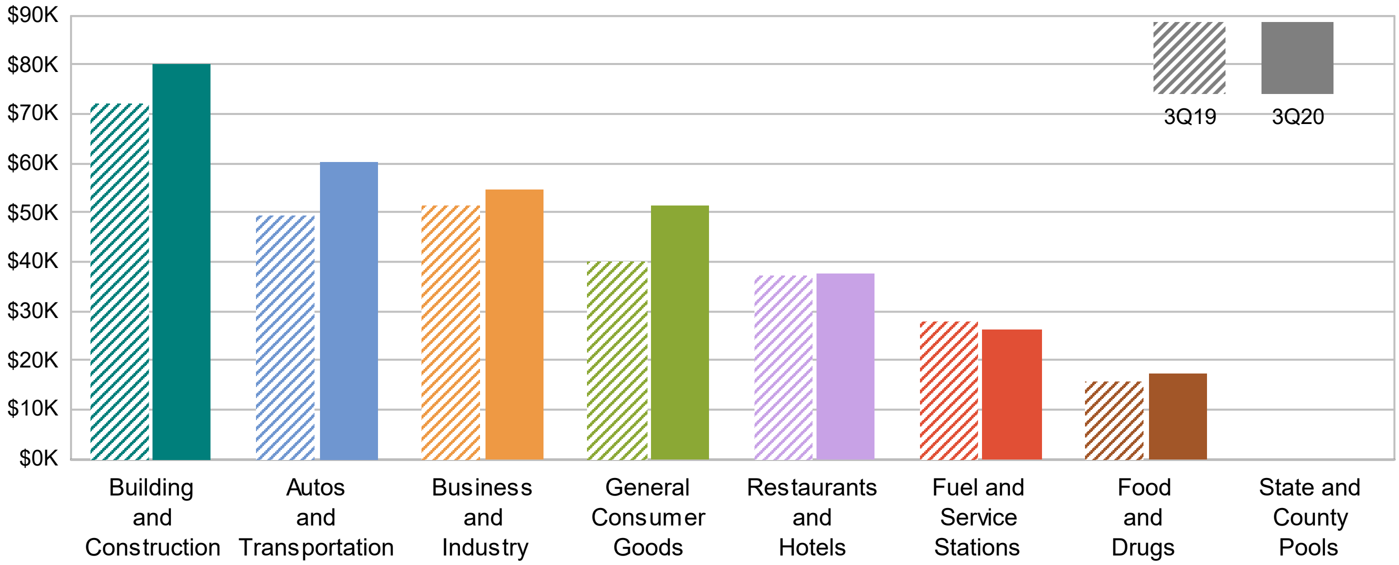


CITY OF PLACERVILLE MEASURE H

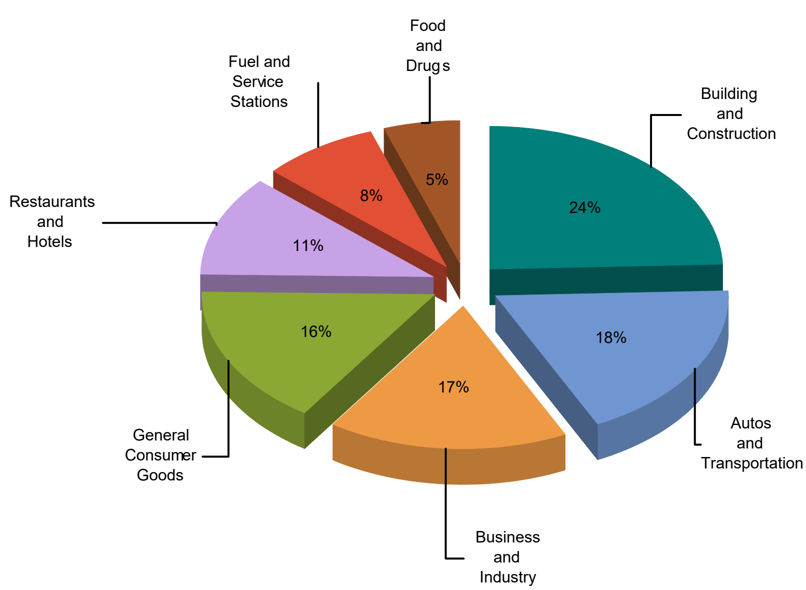
MAJOR INDUSTRY GROUPS

Major Industry Group	Count	3Q20	3Q19	$ Change	% Change
Building and Construction	373	80,315	72,084	8,231	11.4%
Autos and Transportation	513	60,527	49,659	10,868	21.9%
Business and Industry	2,815	54,584	51,594	2,990	5.8%
General Consumer Goods	1,700	51,487	40,181	11,306	28.1%
Restaurants and Hotels	108	37,712	37,335	377	1.0%
Fuel and Service Stations	74	26,311	28,013	(1,702)	-6.1%
Food and Drugs	81	17,480	16,104	1,376	8.5%
Transfers & Unidentified	1,159	2,733	1,987	746	37.5%
State and County Pools	-	0	0	0	-N/A-
Total	6,823	331,149	296,957	34,191	11.5%

3Q19 Compared To 3Q20



3Q20 Percent of Total



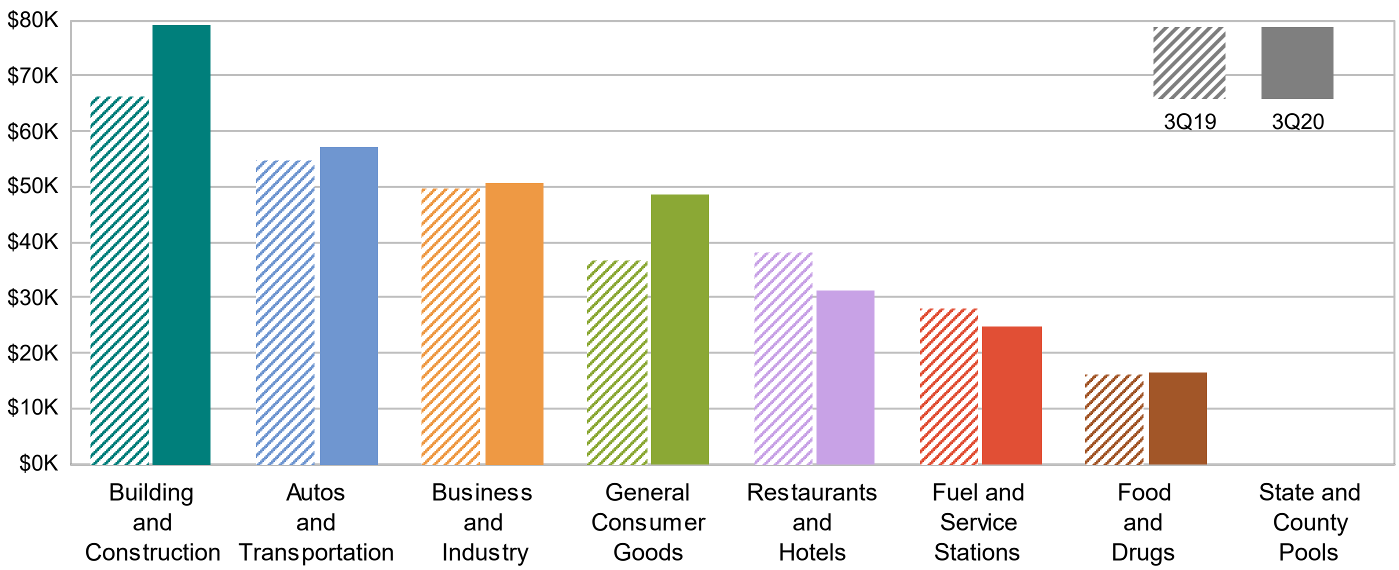
ADJUSTED FOR ECONOMIC DATA

CITY OF PLACERVILLE MEASURE H

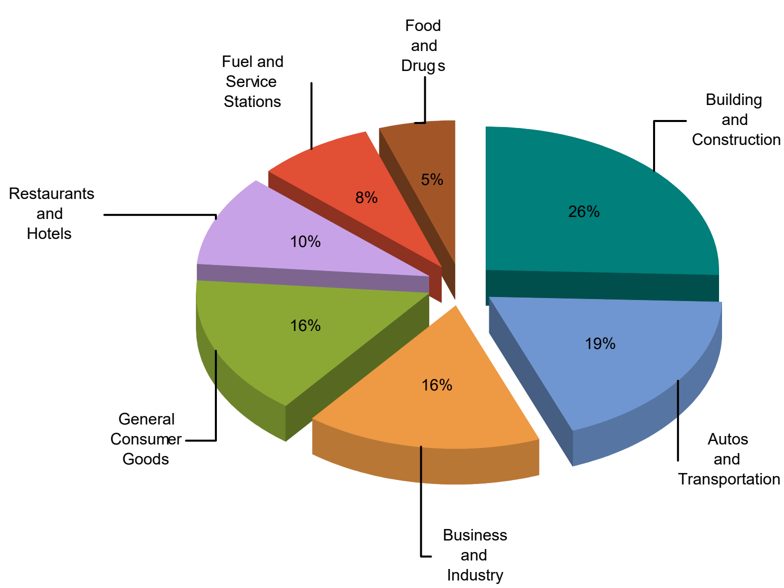
MAJOR INDUSTRY GROUPS

Major Industry Group	Count	3Q20	3Q19	$ Change	% Change
Building and Construction	373	79,204	66,178	13,026	19.7%
Autos and Transportation	513	57,190	54,883	2,307	4.2%
Business and Industry	2,815	50,712	49,822	890	1.8%
General Consumer Goods	1,700	48,591	36,722	11,869	32.3%
Restaurants and Hotels	108	31,449	38,240	(6,791)	-17.8%
Fuel and Service Stations	74	24,896	28,217	(3,321)	-11.8%
Food and Drugs	81	16,667	16,503	165	1.0%
Transfers & Unidentified	1,159	2,456	1,784	672	37.7%
State and County Pools	-	0	0	0	-N/A-
Total	6,823	311,166	292,349	18,817	6.4%

3Q19 Compared To 3Q20



3Q20 Percent of Total

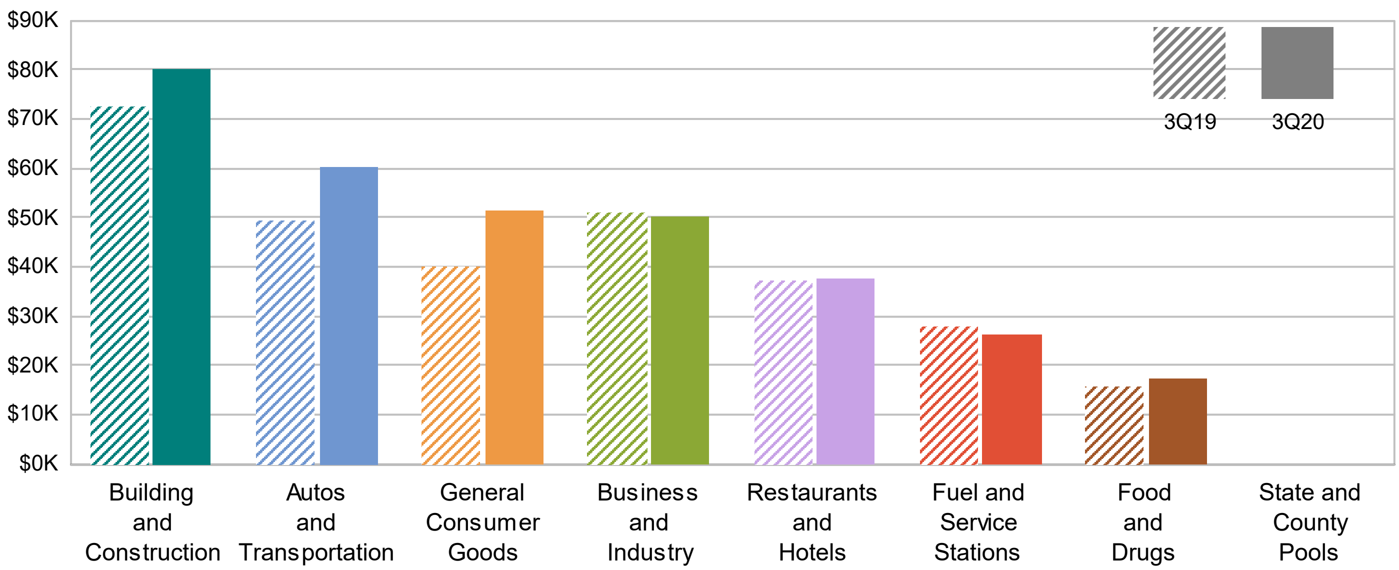


CITY OF PLACERVILLE MEASURE J

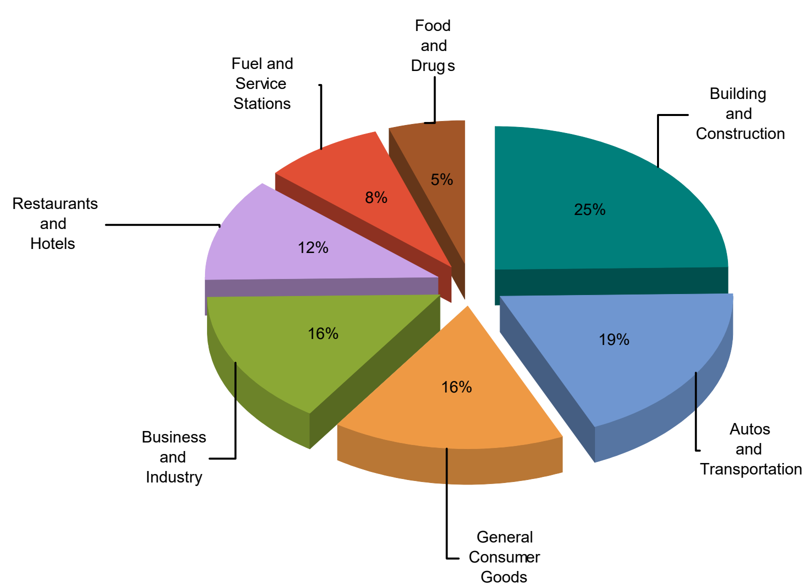
MAJOR INDUSTRY GROUPS

Major Industry Group	Count	3Q20	3Q19	$ Change	% Change
Building and Construction	379	80,338	72,608	7,729	10.6%
Autos and Transportation	520	60,473	49,640	10,833	21.8%
General Consumer Goods	1,703	51,475	40,304	11,171	27.7%
Business and Industry	2,819	50,321	51,090	(769)	-1.5%
Restaurants and Hotels	108	37,728	37,353	376	1.0%
Fuel and Service Stations	74	26,309	27,956	(1,646)	-5.9%
Food and Drugs	83	17,495	16,118	1,377	8.5%
Transfers & Unidentified	1,159	2,733	2,000	733	36.6%
State and County Pools	-	0	0	0	-N/A-
Total	6,845	326,873	297,069	29,804	10.0%

3Q19 Compared To 3Q20



3Q20 Percent of Total



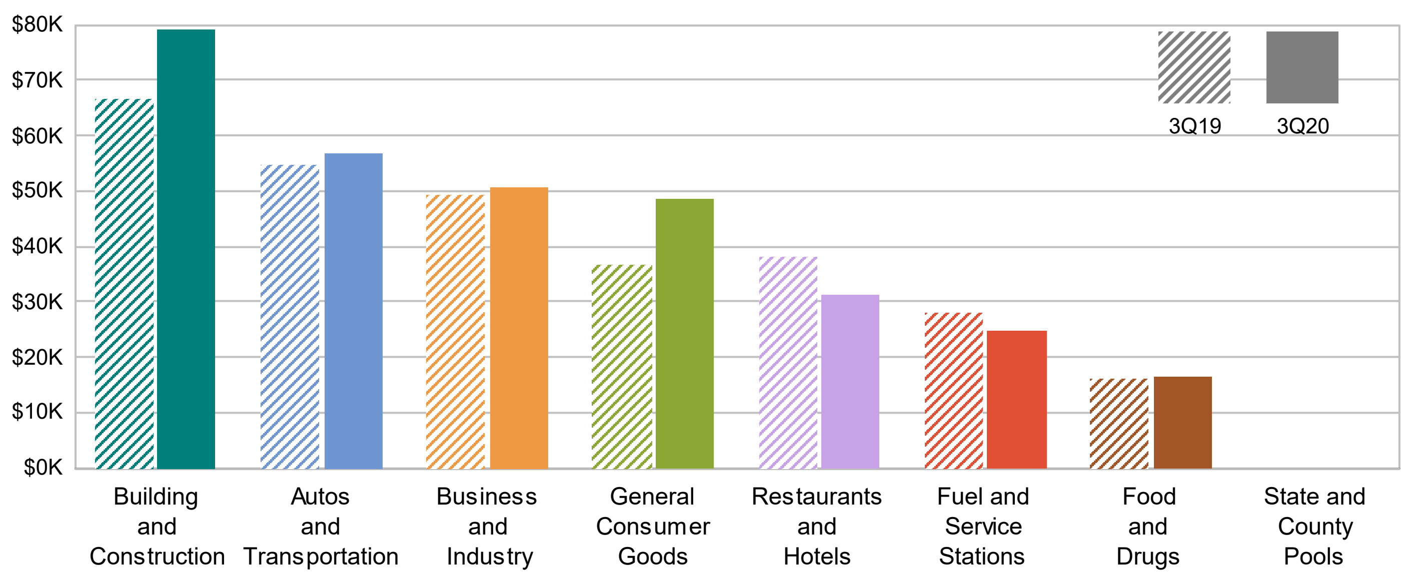
ADJUSTED FOR ECONOMIC DATA

CITY OF PLACERVILLE MEASURE J

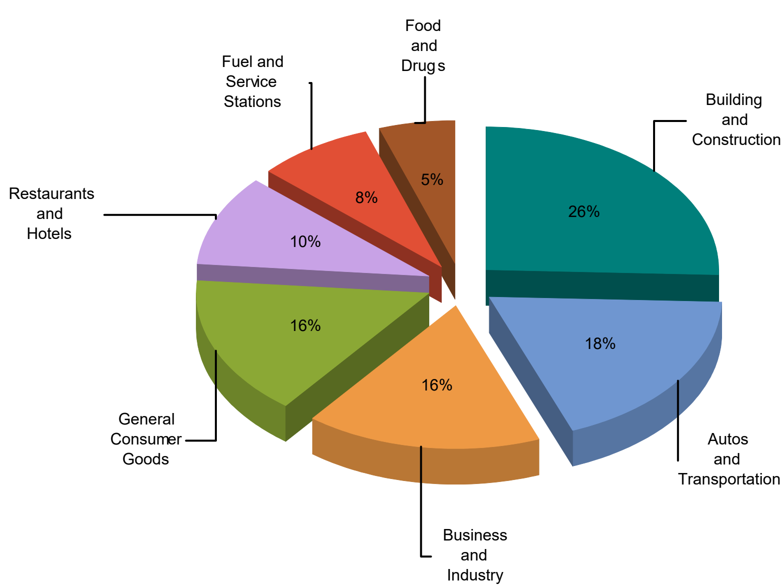
MAJOR INDUSTRY GROUPS

Major Industry Group	Count	3Q20	3Q19	$ Change	% Change
Building and Construction	379	79,227	66,704	12,522	18.8%
Autos and Transportation	520	57,101	54,826	2,275	4.1%
Business and Industry	2,819	50,778	49,365	1,413	2.9%
General Consumer Goods	1,703	48,576	36,700	11,876	32.4%
Restaurants and Hotels	108	31,448	38,240	(6,792)	-17.8%
Fuel and Service Stations	74	24,895	28,211	(3,317)	-11.8%
Food and Drugs	83	16,682	16,517	165	1.0%
Transfers & Unidentified	1,159	2,456	1,784	672	37.7%
State and County Pools	-	0	0	0	-N/A-
Total	6,845	311,163	292,347	18,815	6.4%

3Q19 Compared To 3Q20



3Q20 Percent of Total

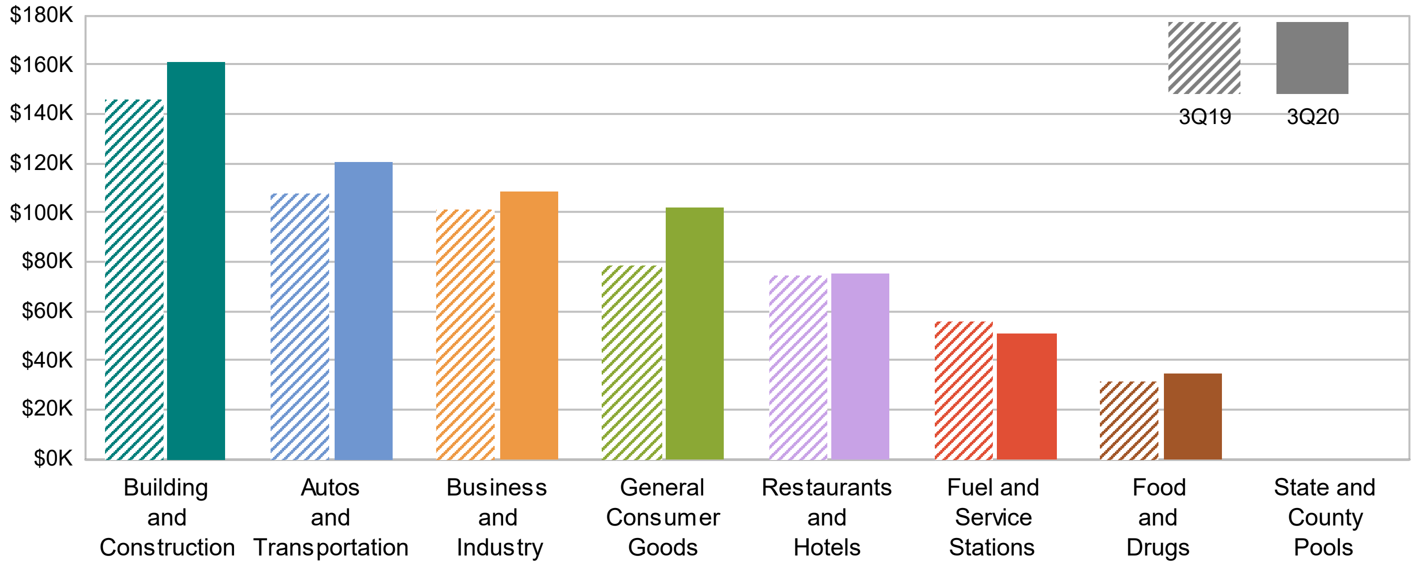


CITY OF PLACERVILLE MEASURE L

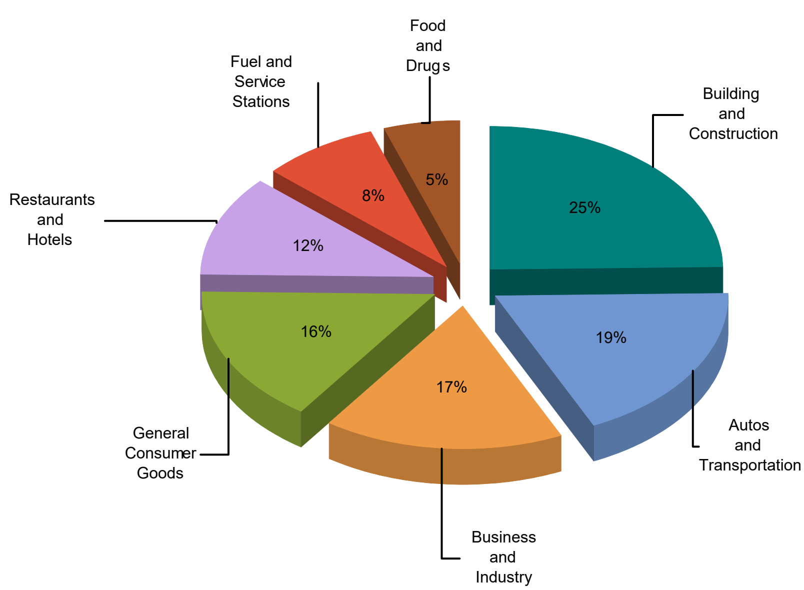
MAJOR INDUSTRY GROUPS

Major Industry Group	Count	3Q20	3Q19	$ Change	% Change
Building and Construction	377	161,110	145,637	15,474	10.6%
Autos and Transportation	498	121,207	108,139	13,068	12.1%
Business and Industry	2,816	108,359	101,741	6,618	6.5%
General Consumer Goods	1,679	102,193	79,080	23,113	29.2%
Restaurants and Hotels	106	75,431	74,664	767	1.0%
Fuel and Service Stations	72	51,676	56,016	(4,341)	-7.7%
Food and Drugs	80	34,944	31,994	2,949	9.2%
Transfers & Unidentified	1,157	5,534	3,933	1,600	40.7%
State and County Pools	-	0	0	0	-N/A-
Total	6,785	660,453	601,205	59,248	9.9%

3Q19 Compared To 3Q20



3Q20 Percent of Total



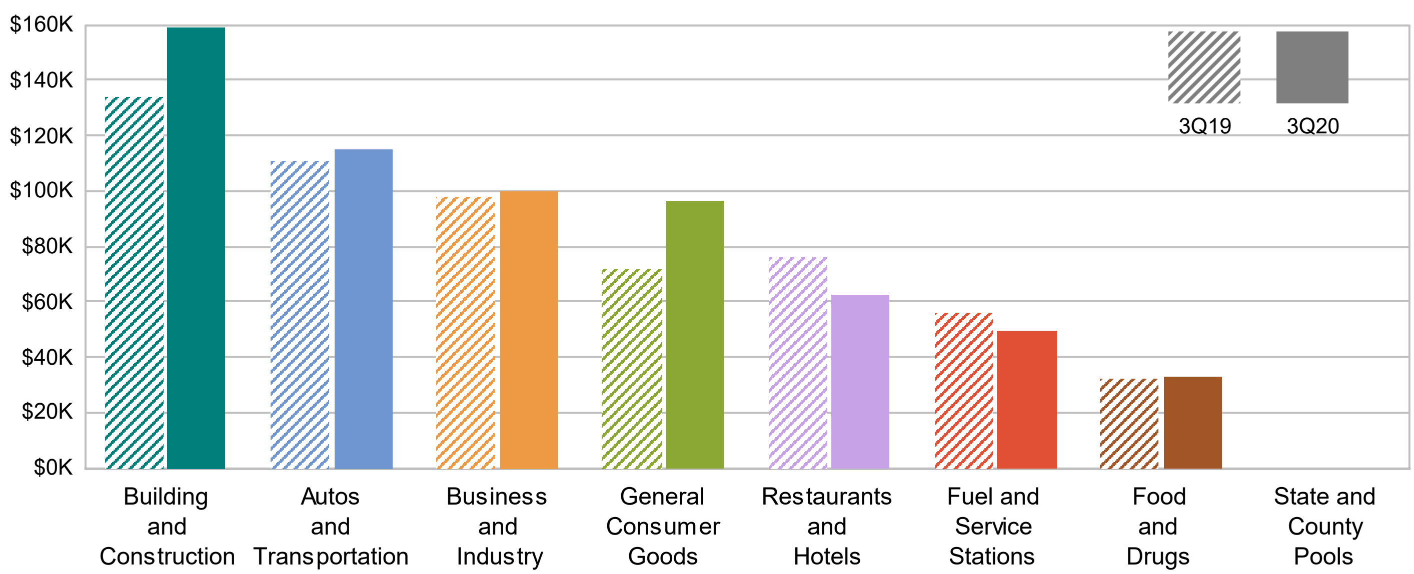
ADJUSTED FOR ECONOMIC DATA

CITY OF PLACERVILLE MEASURE L

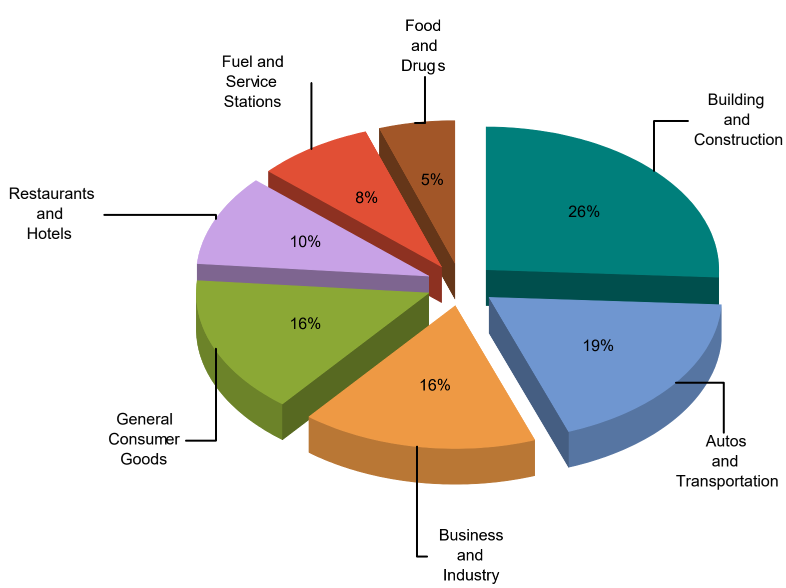
MAJOR INDUSTRY GROUPS

Major Industry Group	Count	3Q20	3Q19	$ Change	% Change
Building and Construction	377	159,222	133,736	25,486	19.1%
Autos and Transportation	498	115,572	111,279	4,293	3.9%
Business and Industry	2,816	100,286	98,157	2,130	2.2%
General Consumer Goods	1,679	96,740	72,165	24,575	34.1%
Restaurants and Hotels	106	62,900	76,477	(13,576)	-17.8%
Fuel and Service Stations	72	49,806	56,436	(6,630)	-11.7%
Food and Drugs	80	33,332	32,993	339	1.0%
Transfers & Unidentified	1,157	4,939	3,567	1,372	38.5%
State and County Pools	-	0	0	0	-N/A-
Total	6,785	622,798	584,811	37,987	6.5%

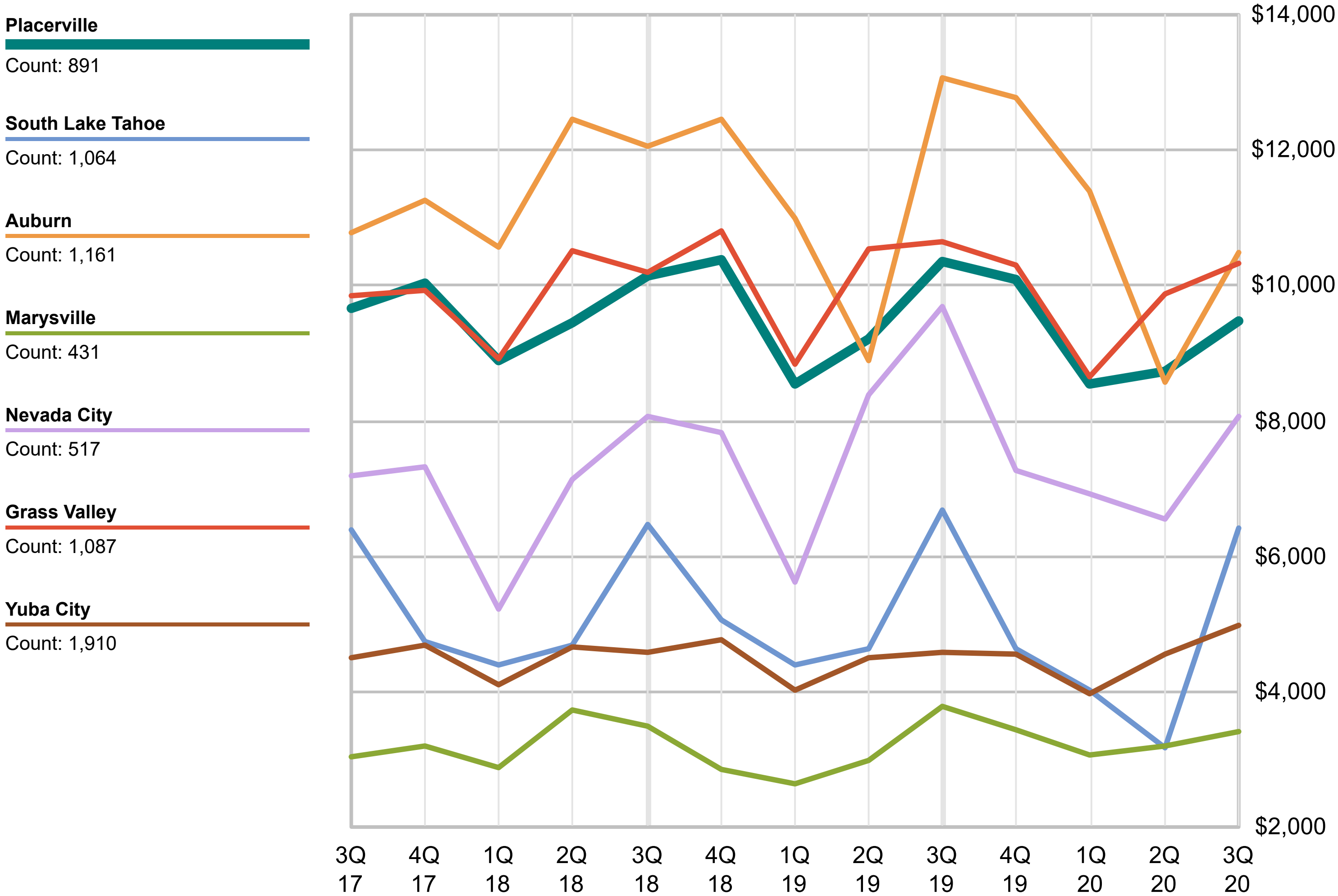
3Q19 Compared To 3Q20



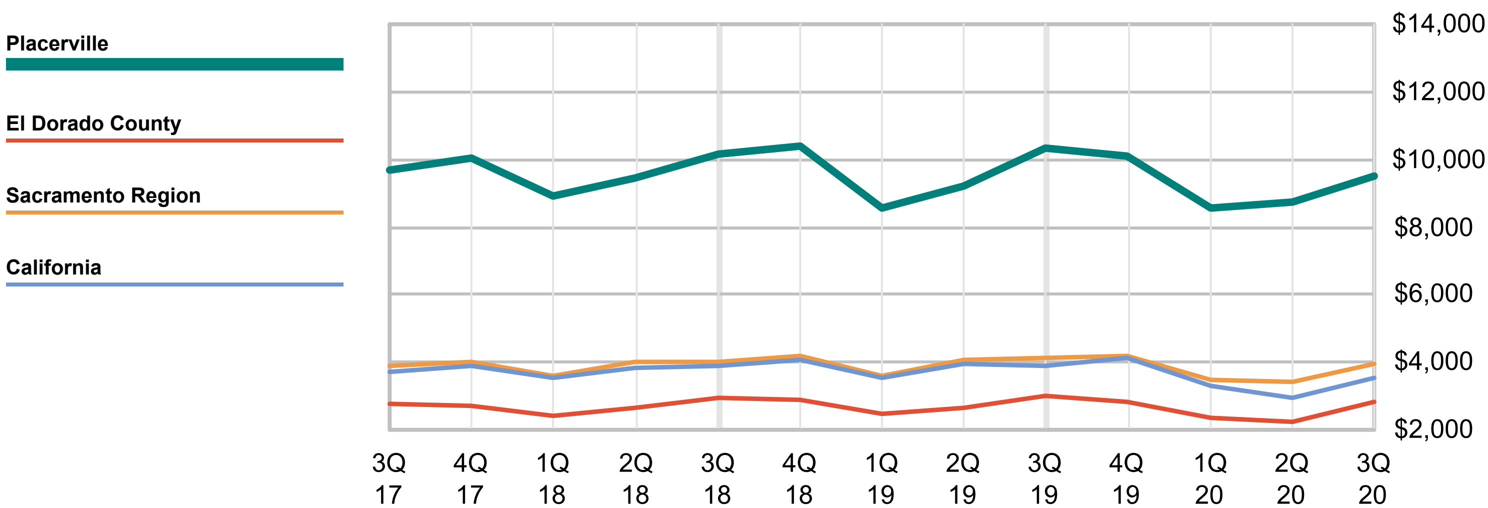
3Q20 Percent of Total



Per Capita Sales



Per Capita Sales



Periods shown reflect the period in which the sales occurred - Point of Sale

HdL Companies

DECEMBER 2020

CALIFORNIA FORECAST

SALES TAX TRENDS AND ECONOMIC DRIVERS

Lake Tahoe, CA

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HDL CONSENSUS FORECAST – DECEMBER 2020

STATEWIDE SALES TAX TRENDS

TOTAL 2020/21 | 2021/22: 2.1% | 7.5%

Autos/Transportation — 2020/21 | 2021/22: 5.9% | 3.0%

The retail auto industry bounced back this summer and completed a V-shaped recovery by posting positive results for the first time since the beginning of the pandemic. Higher income households bankrolled the unexpectedly rapid comeback with savings that have accumulated over the last year. Record low interest rates, a recovering economy and contagion fears surrounding ridesharing and mass transit are expected to support the market in the near-term. Vehicle prices are also rising with the ongoing shift in buyer preference toward larger vehicles compounded by the scarcity of many popular models. RV, boat and niche vehicle sales are all exceptionally strong. Fleet sales, however, remain depressed and will take longer to recover.

Building/Construction — 2.9% | 3.5%

Spending for home improvement projects increased again as previously postponed remodeling jobs got underway. The Bay Area grew 2% overall as the region bounced back from having projects shutdown at the onset of the pandemic. Central and Northern California reported steady activity while Southern California saw a positive trend. Looking ahead, the forecast sees growth as employment migration gains momentum from remote workers seeking cheaper housing options. This will lower Bay Area construction as commercial project levels have declined already. Construction in Southern California is expected to remain steady as existing projects move toward completion. The statewide trend of declining construction permit issuance is expected to begin a reversal within two years.

Business/Industry — -4.0% | 6.7%

The new order index is moving upward but manufacturers report that COVID-19 related absenteeism, qualified worker shortages, sanitization protocols, inventory and imported parts delivery issues collectively reduced production capacity. Full recovery is not anticipated to begin until the second half of 2020-21 when vaccines become widely available. Recent surges in computers and communication equipment to facilitate work-at-home initiatives are expected to level off with further declines from industrial machinery/equipment, fabricated metal products, manufacturers serving food processing, printing/publishing and petroleum industries. Some improvements are projected from companies serving the logistics, construction, transportation and agriculture segments. Each jurisdiction's experience will differ with the specific character and size of its individual business/industrial tax base.

Food/Drugs — 2020/21 | 2021/22: 6.8% | 3.0%

Improvement over the past year in this group's tax revenues is largely twofold. People ate more at home due to limited dining out accessibility and venue options, thus, convenience stores and grocers reported strong activity. Also, cannabis operators expended the number of permitted locations and functioned as essential businesses while demand for their products continues to climb. Short term, these segment specific trends are expected to trigger strong sales. By mid next year, increases moderate as retailers and eateries reopen their doors to expectant customers.

Fuel/Service Stations — -9.3% | 16.5%

While crude barrel prices and the cost of a gallon of gas have begun to slowly rise, recent COVID-19 cases continued to trend up which has weakened retail demand and gallons sold. Prices at the pump are still more than a dollar less per gallon than the same quarter last year. Vehicle and air travel have stagnated. A combination of lower fuel prices, downward pressure on consumption (tied to less vacations and road trips), along with additional shelter in place restrictions through 2020 yields a forecast reduction in sales tax for this category in the coming two quarters. The anticipated roll out of the vaccine will increase consumer and business travel by next spring with effective deployment leading to solid growth for this segment in the second half of 2021.

General Consumer Goods — 1.4% | 6.9%

Core retail segments continue to show large contractions in sales. Apparel heavy categories accounted for the brunt of declines making up roughly 75% of the group's total variation from prior year third quarter collections. Tax volumes from discount department stores expanded as consumers opted for fewer stops to shop across multiple product lines. Diminished foot traffic, continued in-store limitations and an accelerated shift to digital shopping puts more pressure on brick-and-mortar retailers. The pandemic altered habits in ways that demonstrate permanent repercussions on shopping behavior as the economy recovers. Recent regional stay-at-home orders are prompting additional negative impacts on physical stores, dampening the outlook. Our forecast anticipates a rebound in fiscal year 2021-22 following a wide distribution of vaccines which prompts a return to more normalized in-store shopping experiences. Local tax receipts are not expected to return to pre-pandemic peaks until fiscal year 2022-23.

HDL CONSENSUS FORECAST – DECEMBER 2020

STATEWIDE SALES TAX TRENDS

2020/21 | 2021/22

TOTAL 2.1% | 7.5%

Restaurants/Hotels — 2020/21 | 2021/22: -15.0% | 26.5%

The ever-changing health regulations over the past nine months have created overwhelming challenges for the hospitality industry. The late December restriction orders could mean more restaurants closing their doors permanently. Quick service continues to fair better than traditional sit-down dining establishments. Outdoor options could be returning sooner rather than later due to a successful challenge of those restrictions by the California Restaurant Association. The forecast assumes some restaurants and hotels will not survive this second round of forced hibernation. An uptick in travel is not expected to begin until spring and will take years to reach 2019 pre-pandemic levels.

State and County Pools — 2020/21 | 2021/22: 19.3% | 3.1%

Recent data showed staggering tax escalations into the pools during the last four quarters, a confluence of full deployment of Wayfair's marketplace facilitator AB147 compliance, accelerated movement to online spending linked to COVID-19 store closures and use of federal stimulus for at-home needs. Thus, a new baseline of pool's taxes is now in place for future projections. Early holiday results demonstrated sizeable growth in ecommerce activity during the Thanksgiving weekend. Sheltering directives happening in most parts of California are intensifying more shopping by way of computers and mobile devices. Trends in our forecast note many household spending patterns dating back to the pandemic arrival are now permanent, however, future pools gains are expected to subside to levels a bit higher than pre-Wayfair historical outcomes.

Proposition 172 projections vary from statewide Bradley-Burns calculations due to the state's utilization of differing collection periods in its allocation to counties. HdL forecasts a statewide increase of 0.80% for Fiscal Year 20/21 and 8.89% for 2021/2022.

NATIONAL AND STATEWIDE

ECONOMIC DRIVERS

BEACON ECONOMICS

2020/21 | 2021/22

U.S. Real GDP Growth 12.0% | 3.4%

The U.S. economy's record-breaking expansion peaked in February 2020, and with the emergence of the COVID-19 pandemic, the economy hit rock bottom in April. This two-month pandemic-driven downturn was the shortest in American history. Even though the economy hasn't returned to its pre-pandemic trend, this has been the fastest recovery in history with over 33% real GDP growth in the third quarter of this year. Consumer spending drove most of the growth in the third quarter, and solid expansion occurred throughout the economy with the exceptions of investment in nonresidential structures and government spending. As of the third quarter, the economy was only 4% below long-run growth trends having recovered three-quarters of the output it lost from February to April. A genuine return to pre-COVID consumer demand cannot occur until the spread of the virus is controlled. There is downside risk in the short-term due to the continued spread of the coronavirus, but the expansion of the economy will pick up speed in the spring as millions of people are vaccinated and a semblance of normality returns to consumer behavior.

U.S. Unemployment Rate 6.8% | 4.9%

Following the economic downturn in March and April, the performance of the labor market has been the weakest aspect of the economic recovery. As of November 2020, there were 9 million fewer workers employed in the US compared to February 2020 and commensurate increase in the unemployment rate from 3.5% to 6.7%. While the current unemployment rate is a great improvement since the highs reached in April (14.7%), the current figure has been aided by the exodus of 4 million workers from the labor force. The labor market recovery should gather momentum in the spring as the worst effects of COVID-19 are behind us. This job creation will place downward pressure on the unemployment rate, although the return of workers to the labor force will slow this trend.

CA Total Nonfarm Employment Growth -3.8% | 5.5%

Since the record drop in employment in April, California's labor market has underperformed compared to the U.S. labor market. The number of jobs contracted by 6.5% nationally since February while in California the number of jobs fell by 8%, and only 46% of the jobs lost by April have been recovered in the state. As of November, there were 1.4 million fewer workers employed in the state than there were in February. One key feature of the labor market recovery has been the extent to which job losses have disproportionately impacted low-income workers. Employment in jobs that pay more than $60,000 per year have shrunk just 1.3% in the state, but middle-wage jobs (with annual wages ranging from $27,000 to $60,000) and low-wage jobs (less than $27,000 per year) have been hit much harder. Middle-income jobs declined by 8.1% between January and November whereas low-wage jobs fell by 28.1%. Because the recovery in California has lagged the national economy to this point, this should mean that, once a vaccine is widely distributed and some normality resumes in 2021, employment growth in California will outpace the growth in the national economy.

2020/21 | 2021/22

CA Unemployment Rate 8.8% | 5.7%

California's unemployment rate fell to 8.2% in November – down from 9.0% in the previous month and a peak of 16.4% in May – but remains elevated relative to the 6.7% rate in the U.S. overall. This decline is a positive sign but is as much due to a contracting labor force as it is to employment gains. In November, there were 630,000 fewer people looking for work in the state compared to February 2020. Under normal circumstances, the state's labor force would have expanded over this period. The very short-term outlook (through February 2021) is not positive as the significant spread of the coronavirus in the state and resulting restrictions on businesses place downward pressure on job creation. But as the vaccine rollout picks up speed in the spring, the unemployment rate should fall significantly as the year progresses.

CA Median Existing Home Price $583,320 | $618,930

The state's housing market has been by far the brightest spot of the 2020 economy. Single family home prices have surged compared to last year, growing by 13% percent from Q3 2019 to Q3 2020. As of Q3 2020, year-to-date sales of new and existing homes were around 10,000 units lower compared to the same point in 2019, though figures from Q4 will likely reveal that more homes have will have sold in 2020 than in 2019. This is an extraordinary feat given the performance of the state's labor market this year. The strong performance of the state's housing market is likely driven by two factors. First, typical homebuyers (higher income earners) have been less affected by the labor market fallout. Second, mortgage rates are at historically low levels, spurring purchasing activity. That said, the growth in home prices this year is unsustainable so expect interest rates to tick up at some point in 2021.

CA Residential Building Permits 111,780 | 117,780

The increase in home prices this year have once again brought California's housing shortage to the fore. Until the supply of housing picks up considerably, there will be upward pressure on home prices in the state. As of September, around 7,500 fewer permits were issued in the state compared to the same point in 2019. This will do little to help the state's chronic housing shortage, but the expectation is that housing permits will rebound in 2021 as the economy continues to recover.

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California's allocation data trails actual sales activity by three to six months. HdL compensates for the lack of current information by reviewing the latest reports, statistics and perspectives from fifty or more economists, analysts and trade associations to reach a consensus on probable trends for coming quarters. The forecast is used to help project revenues based on statewide formulas and for reference in tailoring sales tax estimates appropriate to each client's specific demographics, tax base and regional trends.

Beacon Economics LLC

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Beacon Economics has proven to be one of the most thorough and accurate economic research/analytical forecasting firms in the country. Their evaluation of the key drivers impacting local economies and tax revenues provides additional perspective to HdL's quarterly consensus updates. The collaboration and sharing of information between Beacon and HdL helps both companies enhance the accuracy of the work that they perform for their respective clients.

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ISSUE UPDATE
JANUARY 2021

AB 147 Marketplace Facilitator Act – Full Implementation

The California Marketplace Facilitator Act, carried out under AB 147 in response to the Supreme Court's "Wayfair" decision in 2018, has now completed the initial four quarters of full implementation. Impacts from this legislation are discussed below.

The background and key provisions of this law can be found in our April 2019 Issue Update.

THE MARKETPLACE FACILITATOR ACT

Assembly Bill 147 required out-of-state retailers meeting specific requirements to collect and remit California's sales, use and transactions taxes effective April 1, 2019; however, marketplace facilitators were not required to begin reporting until October 1, 2019.

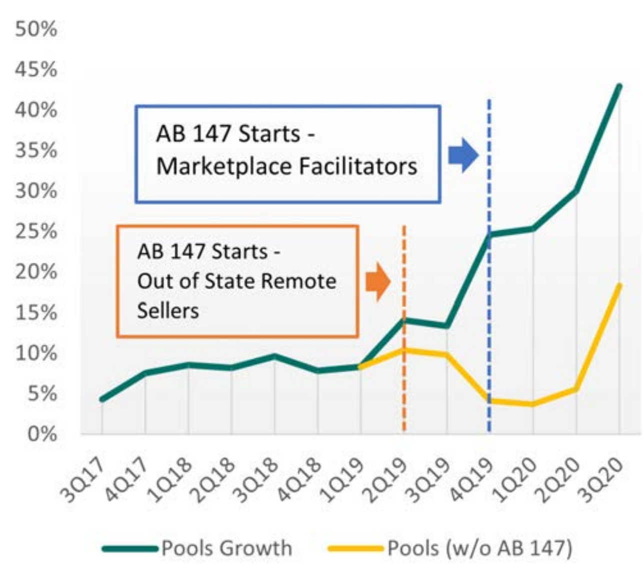
> ***Marketplace Facilitator Requirements:*** *Beginning October 1, 2019, the marketplace facilitator (who functions as the retailer) must obtain a state permit to collect and remit use tax on all sales of tangible personal property into California, including those sales made on behalf of its marketplace sellers, if the marketplace facilitator's cumulative annual sales into California meet the $500,000 economic nexus threshold. In determining cumulative sales, a marketplace facilitator shall include sales of tangible personal property made on its own behalf plus transactions processed through its marketplace on behalf of third-party sellers.*

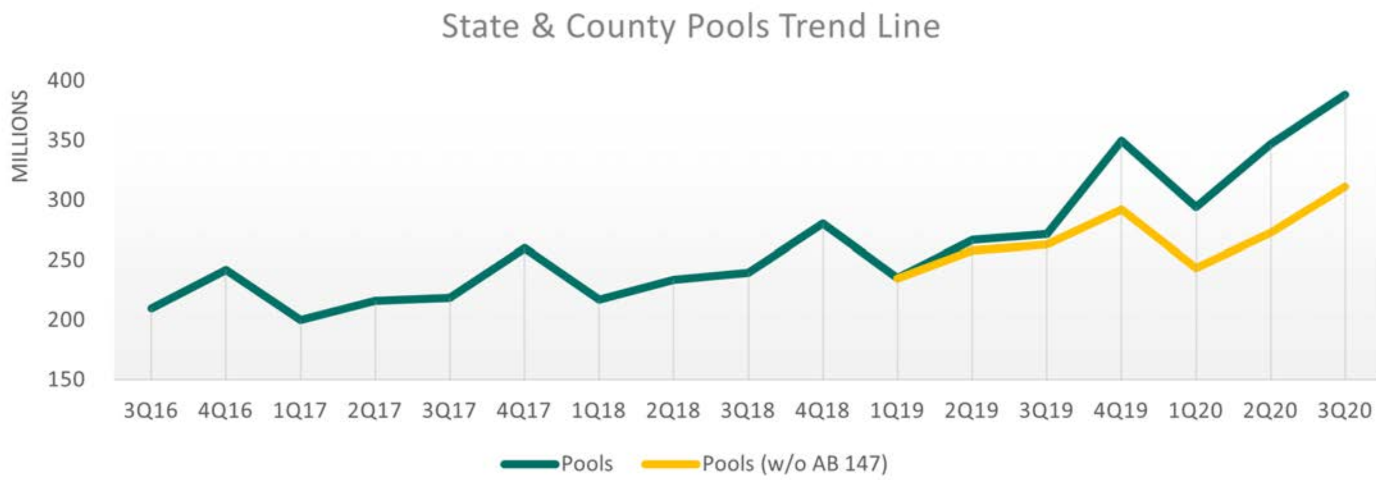
LOCAL JURISDICTION REVENUE – COUNTY POOLS

HdL has been reviewing new accounts in an effort to identify and track AB 147 impacts on city and county revenues across the state.[1] This new local tax revenue is allocated indirectly through the county-wide use tax pools system. With one year of Marketplace filings now completed, new taxes (the Bradley-Burns 1% rate) distributed though the county-wide pools were nearly $260 million.

The four-quarter state & county pools totals beginning October 1, 2019 saw $1.4 billion indirectly allocated to cities and counties with Wayfair based tax collections accounting for 19% of these receipts.

When measuring results from 4Q19 through 3Q20, the pools have averaged growth of 31% each quarter compared to the same period in the prior year. After removing revenue identified with AB 147, countywide pools averaged just 8% growth. The chart below illustrates the significant impact on pools revenues coming from new Wayfair taxpayers.





The vigorous gains spurred by current requirements on remote sellers has created a new baseline for pools allocations. Looking ahead, although recent acceleration to online buying should continue growing the pools, future gains in this sector are expected to subside to levels moderately better than pre-Wayfair historical levels.

CORONAVIRUS AND THE ECONOMIC IMPACTS

There is no question that as California began its battle with the Coronavirus, local government revenues were expected to be negatively impacted. Contrary to early assumptions last spring, the decline of taxable sales and by extension the 1% tax receipts were not as severe despite statewide restrictions for most communities. As consumers were forced to adapt to buying through new channels, the shift to online shopping forged ahead at a record pace. Marketplace facilitators along with other direct to consumer retailers emerged as clear winners because both necessity and discretionary spending moved away from brick-and-mortar stores.

The following chart offers a recent quarterly breakdown of new local tax revenue that somewhat mitigated economic hardships on local agencies during the pandemic.

Typically, retail spending peaks in the fourth quarter of each year during the holiday shopping season. As shown in the above line graph, public health and safety restrictions combined with federal stimulus induced a more rapid shift in consumer shopping habits beginning in April 2020. Local tax reported by AB 147 accounts increased 29% and 34% in the second and third quarters of 2020 respectively compared to the initial filing quarter of October through December 2019. This elevated performance from new accounts is expected to wane as physical stores reopen and brick-and-mortar retailers regain lost momentum.

CALIFORNIA FISCAL IMPACT

Based on local tax collections, HdL estimates over $26 billion in taxable sales have been reported through new AB 147 accounts generating nearly $1.9 billion in statewide sales and use tax revenue, not including add-on district taxes.

California Fiscal Impact
AB 147 Marketplace Facilitator Act (4Q19 – 3Q20)

Taxable Sales	26 Billion
Statewide Sales & Use Tax (7.25%)	$1.9 Billion
State General Fund (3.9375%)	$1.02 Billion
County Public Safety (0.5%)	$130 Million
County Realignment (1.5625%)	$405 Million
Local Jurisdiction (1%)	$260 Million
Local Transportation Fund (0.25%)	$65 Million

data is rounded

Due to the size and market population, many major online retailers previously established nexus in California prior to AB 147 mandates. Therefore, portions of the revenue this law was designed to capture were already being collected.

CONCLUSION

Although AB 147 captured taxes not previously collected, COVID-19 restrictions further boosted sales from remote sellers and marketplace facilitators which partially mitigated statewide declines in retail spending resulting from the pandemic crisis. Absent the implementation of the Marketplace Facilitator Act, local jurisdictions would be even more negatively impacted by economic pressures as the ongoing battle tied to the spread of and response to COVID-19 continues.

TOP 25 IDENTIFIED AB 147 TAXPAYERS[1]

Below is a current list of the top 25 taxpayers that HdL identified as collecting and remitting new sales and use tax as a result of the Marketplace Facilitator Act.

1661, Inc (GOAT)
Adorama Inc
Alibaba.com
Amazon.Com Services Inc
Asos.com
Autosales, Inc
B&H Foto & Electronics
Blue Nile
Boxy Charm Inc
Etsy, Inc
Facebook
Florists Transworld Delivery
Gilt Groupe LP
Groupe Atallah Inc (SSENSE)
Mercari App
Poshmark
Reverb.com
Rockauto
Savvas Learning Company
Sweetwater Sound
The Tire Rack
Wal-Mart.Com USA LLC
Webstaurant Store
Wish
Zoetop Business Co. (Shein)

[1]***HdL Identified Accounts:*** *HdL reviews data provided by the CDTFA to identify new taxpayers related to AB 147 using the following general criteria. Due to the volume of accounts the list is not exhaustive.*

1. *New local tax being allocated through the county pools beginning in 2Q-2019*
2. *Taxpayer account as an effective date of April 1, 2019 or later*
3. *Has an online store or eCommerce presence*
4. *Does not replace a prior California resale account*

Additional Resources

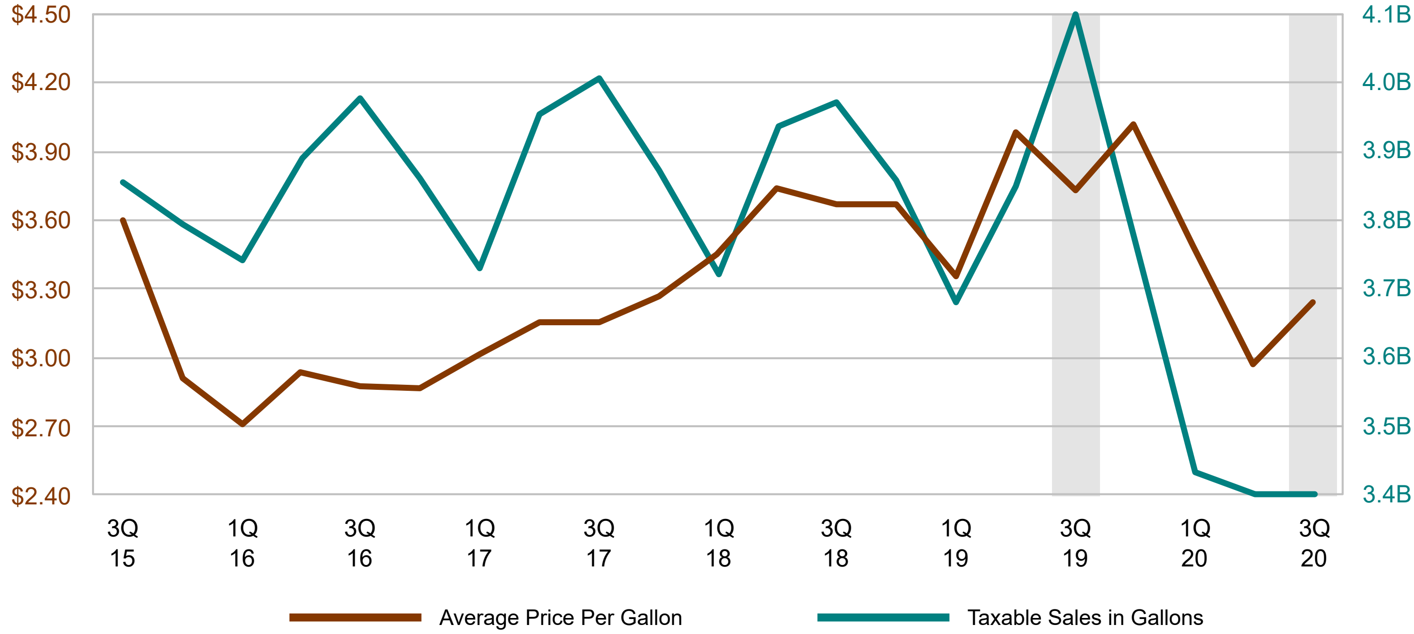
- *Use Tax Collection Requirements Based on Sales into California Due to the Wayfair Decision*
- *Tax Guide for Marketplace Facilitator Act*

STATE OF CALIFORNIA

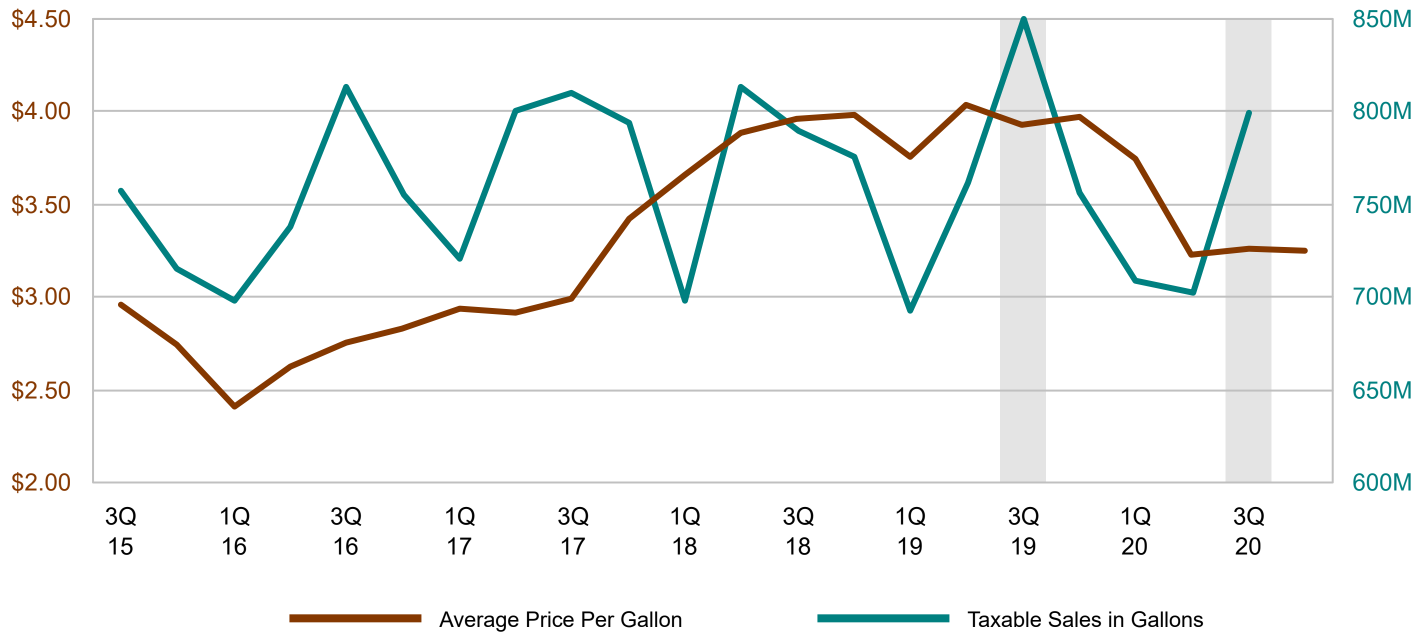
GASOLINE AND DIESEL TRENDS

Gasoline Data	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20
Average Price Per Gallon	$3.68	$3.67	$3.36	$3.99	$3.74	$4.02	$3.49	$2.97	$3.25
% Change from Prior Quarter	-1.65%	-0.05%	-8.48%	18.60%	-6.31%	7.70%	-13.30%	-14.81%	9.23%
% Change from Same Qtr Prior Year	16.24%	12.26%	-2.59%	6.70%	1.65%	9.53%	3.76%	-25.47%	-13.10%

Gasoline Prices and Sales



Diesel Prices and Sales



Sources: Board of Equalization, California Department of Tax and Fee Administration, Energy Information Administration, The HdL Companies