

Memorandum

City of Lawrence

Finance Department

TO: Craig S. Owens, City Manager

FROM: Jeremy Willmoth, Finance Director

DATE: March 3, 2020

RE: February 2020 Sales and Use Tax Report

The City received its February sales and use taxes, along with its share of County sales and use tax, and the special taxing districts distribution, which totaled \$3,845,560. Of this amount, \$3,316,076 was from sales taxes and \$494,436 was from use taxes before Tax Increment Financing Districts (TIF) payments were applied. The remaining \$35,048 was from sales and use taxes within the three Transportation Development Districts (TDD).

February Sales and Use Tax

All Sales Taxes Collected	February 2019	February 2020	2019 YTD Collected	2020 YTD Collected	Increase/ (Decrease)	% Change
Sales Taxes	\$ 2,331,534	\$ 2,377,756	\$ 4,580,637	\$ 4,558,108	\$ (22,529)	-0.49%
Use Taxes	286,746	337,484	596,677	610,063	13,385	2.24%
City portion of County Taxes	1,051,680	1,095,272	2,078,608	2,088,158	9,550	0.46%
Special District Taxes	34,423	35,048	68,169	70,146	1,977	2.90%
All Sales Taxes Collected	\$ 3,704,383	\$ 3,845,560	\$ 7,324,092	\$ 7,326,475	\$ 2,383	0.03%

Sales Tax by Category	February 2019	February 2020	2019 YTD Collected	2020 YTD Collected	Increase/ (Decrease)	% Change
City Sales tax	\$ 1,492,127	\$ 1,525,646	\$ 2,929,012	\$ 2,922,903	\$ (6,109)	-0.21%
City Use tax	184,998	932,916	384,954	1,793,433	1,408,479	365.88%
City Share County Sales Tax	918,107	217,732	1,805,186	393,589	(1,411,597)	-78.20%
City Share County Use Tax	127,900	156,952	260,913	283,349	22,436	8.60%
Total General Fund Receipts	2,723,132	2,833,245	5,380,065	5,393,274	13,209	0.25%
Infrastructure Sales Tax**	409,598	416,908	803,242	795,667	(7,575)	-0.94%
Infrastructure Use Tax	55,499	65,319	115,486	118,077	2,591	2.24%
Total Capital Impr. Reserve Receipts	465,097	482,228	918,728	913,743	(4,985)	-0.54%
Infrastructure Sales Tax**	41,667	41,667	83,334	83,333	(1)	0.00%
Transit Sales Tax	376,054	305,717	738,812	586,000	(152,812)	-20.68%
Transit Use Tax	46,249	43,546	96,238	78,718	(17,520)	-18.21%
Total Transit Receipts	422,303	349,263	835,050	664,718	(170,332)	-20.40%
Affordable Housing Sales Tax	-	76,429	-	146,500	146,500	N/A
Affordable Housing Use Tax	-	10,887	-	19,679	19,679	N/A
Total Affordable Housing Receipts	-	87,316	-	166,179	166,179	N/A
Free State TDD	24,498	25,594	46,285	50,243	3,958	8.55%
Oread TDD	5,992	5,936	13,967	12,990	(977)	-6.99%
Oread TIF City Share	5,992	5,936	13,967	12,990	(977)	-6.99%
Oread TIF City Share of County	3,424	3,393	7,982	7,425	(557)	-6.98%
Total Oread Receipts***	15,408	15,266	35,916	33,405	(2,511)	-6.99%
9th NH South TDD	3,934	3,518	7,917	6,913	(1,004)	-12.69%
9th NH South TIF City Share	6,097	5,453	12,272	10,715	(1,557)	-12.69%
9th NH South TIF City Share of Co	2,248	2,011	4,525	3,951	(574)	-12.68%
Total 9th NH South Receipts	12,279	10,982	24,714	21,578	(3,136)	-12.69%
Total Special Districts	52,184	51,841	106,915	105,227	(1,688)	-1.58%
Total Receipts	\$ 3,704,383	\$ 3,845,560	\$ 7,324,092	\$ 7,326,475	\$ 2,383	0.03%

*The 2020 Budget is \$42,254,000. Collections Year-to-Date is \$7,326,475, or 17.34% of budget.

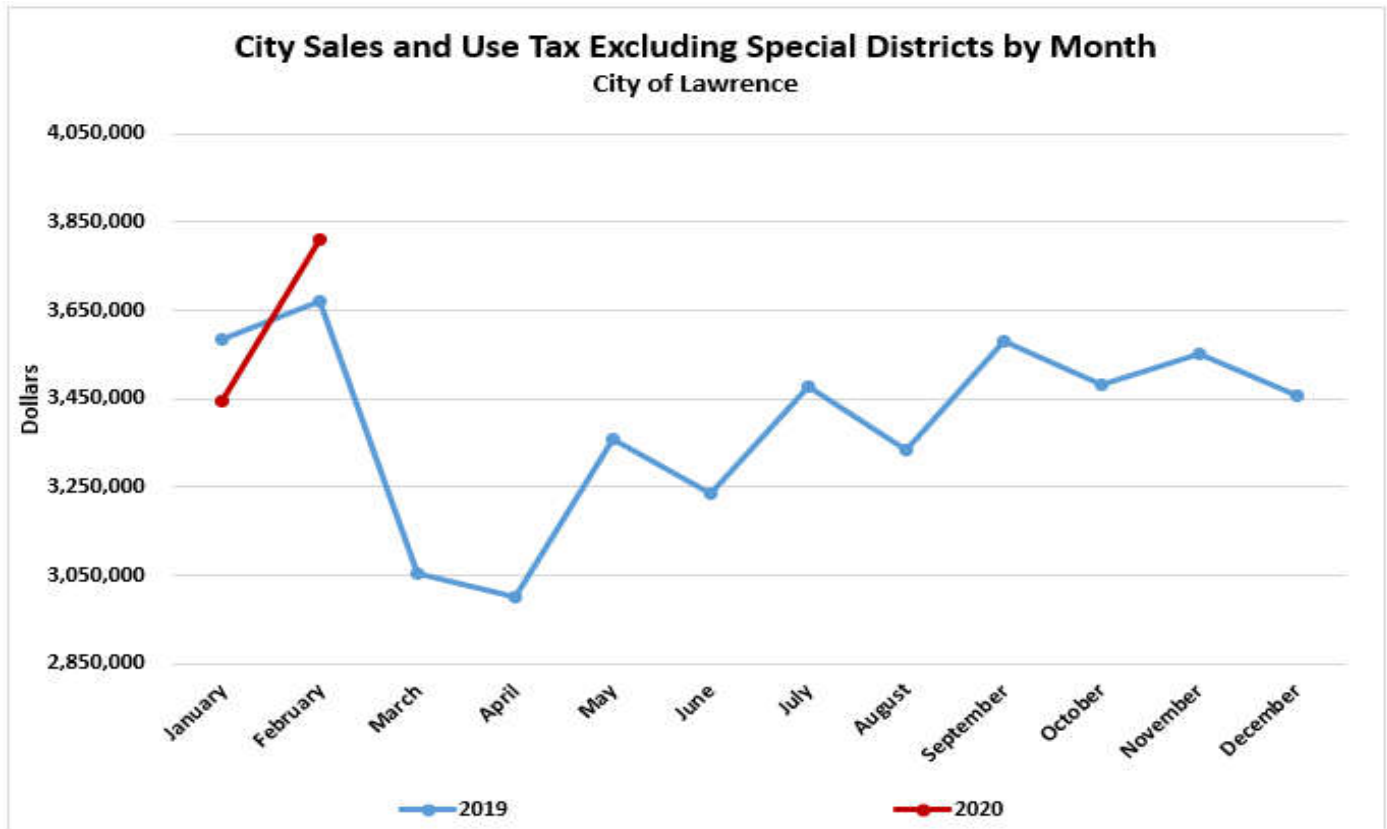
*The 2020 Budget excluding TIF/TDD is \$41,477,000. Collections YTD is \$7,221,248, or 17.66% of budget.

**\$500,000 of Infrastructure Sales Tax to be receipted into Equipment Reserve Fund in 2020.

***Oread distribution is currently under review

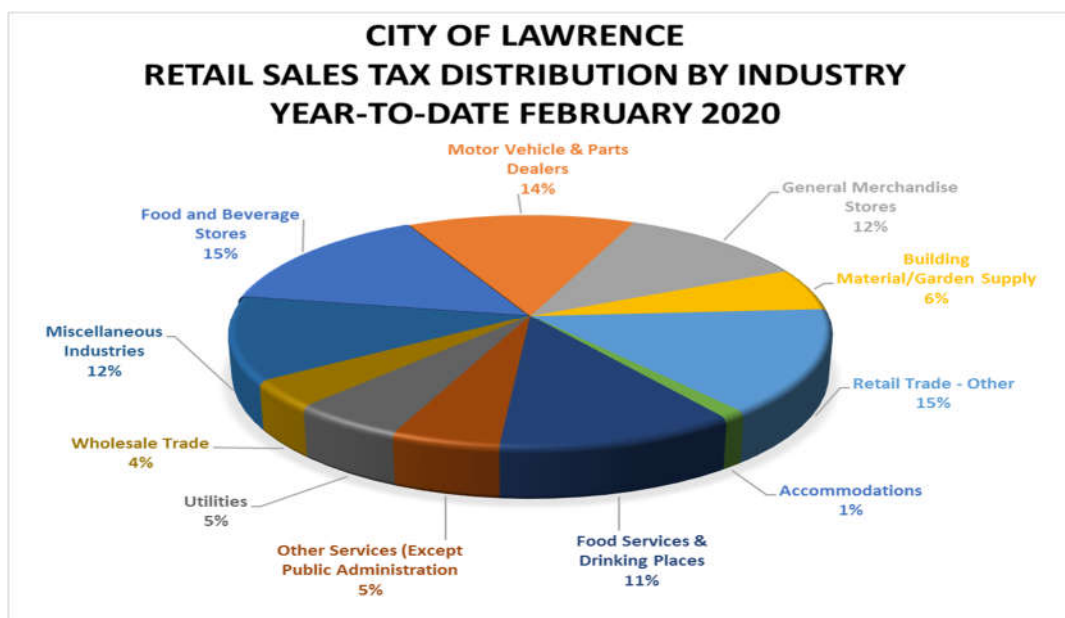
Sales and Use Tax Trends

The City's three sales taxes experienced a \$22,529 decrease (0.49%) as compared to 2019. The use taxes experienced a \$13,385 increase (2.24%) for the same time period. The City's portion of the County's general sales and use tax experienced a \$9,550 increase (0.46%) for the same time period. Year-to-date total sales and use tax revenues (including special districts) experienced a \$2,383 increase (0.03%) compared to the same period in 2019.



Sales Tax Distribution

Sales within the City are from a wide variety of industries. The largest industrial segment is Retail trade at around 60% of all sales (Noted in the table below in blue).

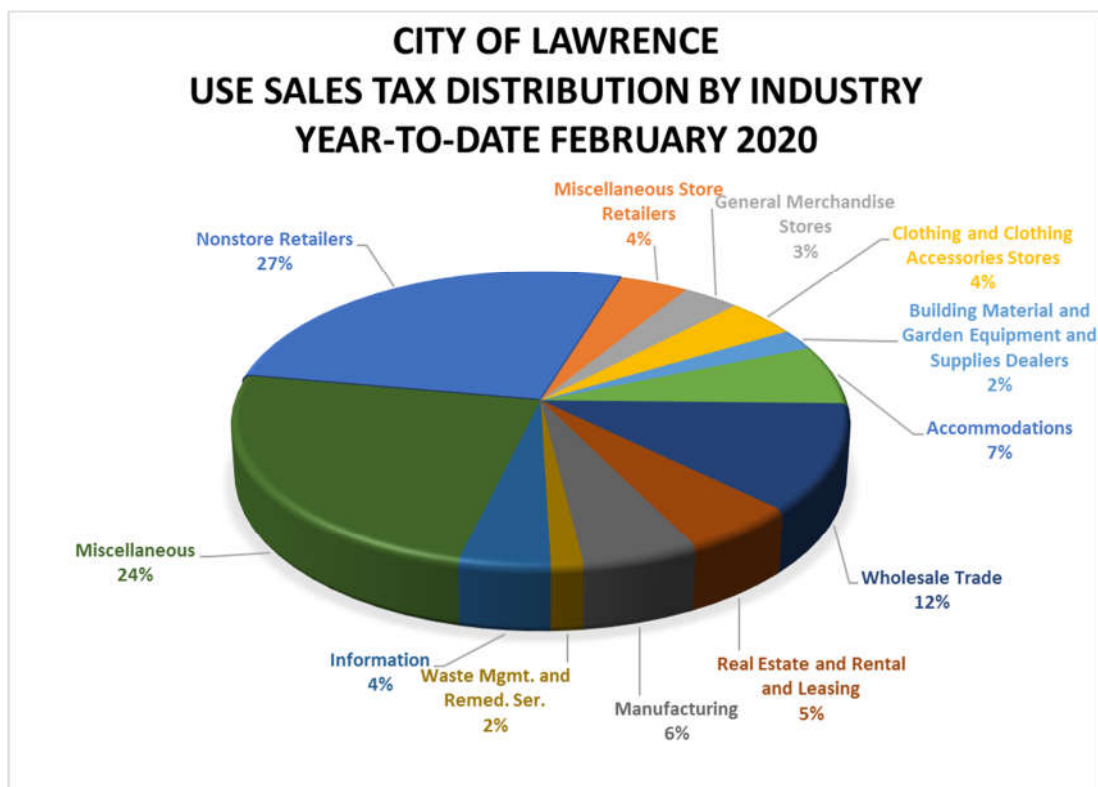


The following table is divided by the North American Classification System (NAICS) Industry Sectors to provide some context to the diversity within the City's sales tax system. Retail Trade has been broken out below, so the top four categories are listed separately. The table shows that there was growth in three of the four significant categories in Retail Trade in the first two months of 2020 compared to the first two months in 2019. There was also growth in Utility sales, but all other major categories were showing declines when compared to the same time period. Overall total sales were down by \$22,529 or -0.49% when compared to the same time period.

NAICS Industry Sector	2019	2020	FY20 vs. FY19	
			Increase (Decrease)	% Change
Food and Beverage Stores	\$ 662,808	\$ 671,722	\$ 8,914	1.33%
Motor Vehicle & Parts Dealers	585,004	631,643	46,638	7.38%
General Merchandise Stores	544,354	536,693	(7,662)	-1.43%
Building Material/Garden Supply	253,175	266,519	13,345	5.01%
Retail Trade - Other	684,084	676,324	(7,760)	-1.15%
Accommodations	64,909	51,040	(13,869)	-27.17%
Food Services & Drinking Places	534,489	524,462	(10,027)	-1.91%
Other Services (Except Public Admini.	279,048	239,311	(39,737)	-16.60%
Utilities	205,832	247,057	41,226	16.69%
Wholesale Trade	195,715	176,135	(19,580)	-11.12%
Miscellaneous Industries	571,218	537,201	(34,017)	-6.33%
Grand Total	\$4,580,637	\$4,558,108	\$ (22,529)	-0.49%

Use Tax Distribution

Use taxes within the City are from a wide variety of industries. The largest industrial segment is Retail trade at around 48% of all use taxes (Noted in the table below in blue).



The following table is divided by the North American Classification System (NAICS) Industry Sectors to provide some context to the diversity within the City's sales tax system. Retail Trade has been broken out below, so the top five categories are listed separately. The table shows that there was growth in three of the five significant categories in Retail Trade in the first two months of 2020 compared to the first two months in 2019. There was also growth in Manufacturing sales, but all other major categories were showing declines when compared to the same time period. Overall total use taxes were up by \$13,385 or 2.19% when compared to the same time period.

NAICS Industry Sector	2019	2020	FY20 vs. FY19	
			Increase (Decrease)	% Change
Nonstore Retailers	\$ 129,495	\$ 165,029	\$ 35,534	21.53%
Miscellaneous Store Retailers	27,500	24,780	(2,720)	-10.98%
General Merchandise Stores	22,764	20,894	(1,870)	-8.95%
Clothing and Clothing Accessories	21,549	25,795	4,246	16.46%
Building Material/Garden Supply	12,222	13,818	1,596	11.55%
Retail Trade - Other	34,463	39,709	5,245	13.21%
Wholesale Trade	89,337	72,347	(16,991)	-23.49%
Real Estate and Rental and Leasing	41,049	32,958	(8,091)	-24.55%
Manufacturing	31,264	33,243	1,979	5.95%
Waste Mgmt. and Remed. Ser.	30,917	9,201	(21,716)	-236.01%
Information	27,143	26,128	(1,015)	-3.89%
Miscellaneous	128,973	146,161	17,188	11.76%
Grand Total	\$ 596,677	\$ 610,063	\$ 13,385	2.19%

Memorandum

City of Lawrence

Finance Department

TO: Craig S. Owens, City Manager

FROM: Jeremy Willmoth, Finance Director

DATE: February 4, 2020

RE: General Information for Sales and Use Taxes

This memo is to assist the general public with understanding the various types of sales and use taxes within the city, and to understand the complexities of the monthly, quarterly, semi-annually, and annual sales and use tax filing cycles.

Background

Retail sales taxes are based on taxable retail sales at the point of the transaction. Unless specifically exempted, the sale, rental, or lease of tangible personal property, labor services to tangible personal property, and admissions to entertainment places, are all subject to sales tax.

The City currently has four sales taxes: **1 cent general** (no sunset); **0.3 cent for infrastructure and equipment** (Sunsets March 31, 2029); **0.2 cent for public transportation** (sunsets March 31, 2029); and, **0.05 cent for affordable housing** (Sunsets March 31, 2029).

Aside from some specific exceptions, use taxes are based on the location in which the tangible property will be used. Use taxes that the City receives are made up primarily of goods which were purchased outside of Lawrence but delivered to a Lawrence address. Use taxes also include taxes for the sale of vehicles in which the seller collected less sales tax than what a retailer would have collected within Lawrence. The rates of the sales taxes are applied equally for use taxes.

The City currently has three separate Transportation Development Districts (TDD) and two Tax Increment Financing Districts (TIF). A TDD has an additional sales tax added to retail sales incurred within the district as well as goods received by the district. A TIF District does not have an additional sales tax. Rather, increased sales since the establishment of the TIF district are captured for uses identified when established.

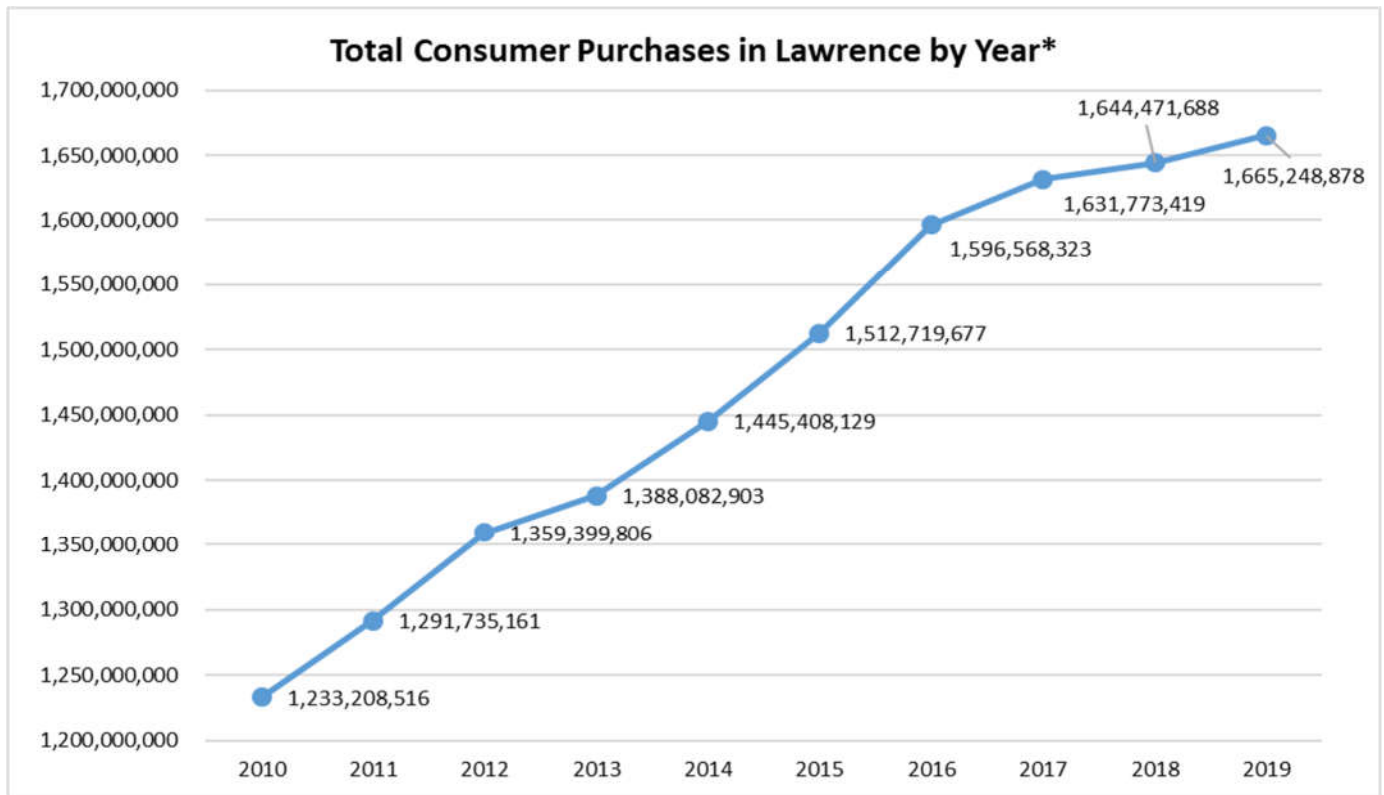
The TDD and TIF districts within the City are used to reimburse a developer for approved improvements. The receipts for the TDD and TIF are receipted into separate funds. Further performance information on the Districts may be found in the City's economic development reports <https://lawrenceks.org/ed/>.

Sales and Use Tax Cycle

Retailers collect sales tax at the time of sale. Retailers remit sales tax collections to the State on the 25th day of the month after collection. Smaller retailers may remit sales taxes quarterly on the 25th day after the quarter of collection.

Typically, the State remits both sales and use tax collections to the City during the last week of the following month. Therefore, this distribution is based on retail sales which occurred two months prior to the state submitting the revenue to the City.

The following chart illustrates total consumer purchases by year based on sales taxes reported. This chart is simply showing trends in consumer spending based upon the data the City is provided by the State of Kansas.



***Based on Sales Tax Collections**



900 SW Jackson St. Suite 201
Topeka, Kansas 66612-1235

STATE OF KANSAS
Jake LaTurner
TREASURER

TELEPHONE
(785) 296-4153

JEREMY WILLMOTH
PO BOX 708
LAWRENCE, KS 66044

February 24, 2020

Dear Mr. Willmoth,

This is notice of a distribution from the State Treasurer for Lawrence, City Of. Our system sends email notices as soon as a distribution has been completed. You may have the emails sent to as many contacts as you like. Please call our office at 785-296-4153 to add or modify email addresses for your notifications.

You will receive an EFT to settle 02/27/2020. The details are as follows:

Detail Description	County	Amount
Feb 2020 Compensating Use Tax		
City Tax File	Douglas	337,483.85
City Share From County Tax	Douglas	156,951.69
Total for Feb 2020 Compensating Use Tax:		\$494,435.54
Feb 2020 Sales Tax		
City Tax File	Douglas	2,377,756.18
City Share From County Tax	Douglas	938,320.04
Total for Feb 2020 Sales Tax:		\$3,316,076.22
Feb 2020 Transportation Dev Dist Tax		
Lawrence 9thnh Transport	Douglas	3,518.03
Lawrence 2 Transportation	Douglas	5,936.39
Lawrence Transportation	Douglas	25,593.54
Total for Feb 2020 Transportation Dev Dist Tax:		\$35,047.96
Grand Total Amount:		\$3,845,559.72

Additional information can be found at https://kansasstatetreasurer.com/dist_search.php or contact our office at 785-296-4153 or fiscal@treasurer.ks.gov.

Sincerely,

Shauna Wake
Director Of Fiscal Services