

Memorandum

City of Lawrence

Finance Department

TO: Craig S. Owens, City Manager

FROM: Jeremy Willmoth, Finance Director

DATE: December 30, 2021

RE: December 2021 Sales and Use Tax Report

The City received its December sales and use taxes, along with its share of County sales and use tax, and the special taxing districts distribution, which totaled \$4,873,471. This is predominately from sales that occurred in October 2021. Of this amount, \$4,011,911 was from sales taxes and \$821,424 was from use taxes before Tax Increment Financing Districts (TIF) payments were applied. The remaining \$40,136 was from sales and use taxes within the three Transportation Development Districts (TDD).

December Sales and Use Tax

Sales and Use Tax Budget Comparison (excluding special districts)

Sales and use tax for December 2021 compared to budget:

The City's sales taxes experienced a \$585,073 increase (25.93%).

The City's use taxes experienced a \$292,854 increase (109.68%).

The City's portion of the County's general sales and use tax experienced a \$390,307 increase (38.15%).

Sales and use tax for Jan. – Dec. 2021 compared to budget:

The City's sales taxes experienced a \$410,861 increase (1.55%).

The City's use taxes experienced a \$1,516,457 increase (48.14%).

The City's portion of the County's general sales and use tax experienced a \$1,019,298 increase (8.46%).

Year-to-date total sales and use tax revenues experienced a \$2,946,616 increase (7.05%) compared to the budget.

All Sales Taxes Collected	December Budget	December 2021	2021 Budget	2021 YTD Collected	Increase/ (Decrease)	% Change
Sales Taxes	\$ 2,256,000	\$ 2,841,073	\$ 26,582,000	\$ 26,992,861	\$ 410,861	1.55%
Use Taxes	267,000	559,854	3,150,000	4,666,457	1,516,457	48.14%
City portion of County Taxes	1,023,000	1,413,307	12,047,000	13,066,298	1,019,298	8.46%
All Sales Taxes Collected	\$ 3,546,000	\$ 4,814,234	\$ 41,779,000	\$ 44,725,616	\$ 2,946,616	7.05%
Sales Tax by Category						
City Sales tax	\$ 1,455,000	\$ 1,830,320	\$ 17,145,000	\$ 17,391,330	\$ 246,330	1.44%
City Use tax	174,000	361,196	2,032,000	3,010,618	978,618	48.16%
City Share County Sales Tax	906,000	1,151,737	10,570,000	10,905,015	335,015	3.17%
City Share County Use Tax	116,000	261,570	1,477,000	2,161,283	684,283	46.33%
Total General Fund Receipts	2,651,000	3,604,823	31,224,000	33,468,246	2,244,246	7.19%
Infrastructure Sales Tax	438,000	551,320	5,157,000	5,237,199	80,199	1.56%
Infrastructure Use Tax	51,000	108,359	611,000	903,185	292,185	47.82%
Total Capital Impr. Reserve Receipts	489,000	659,679	5,768,000	6,140,384	372,384	6.46%
Transit Sales Tax	291,000	367,547	3,429,000	3,491,466	62,466	1.82%
Transit Use Tax	35,000	72,239	406,000	602,123	196,123	48.31%
Total Transit Receipts	326,000	439,786	3,835,000	4,093,589	258,589	6.74%
Affordable Housing Sales Tax	72,000	91,887	851,000	872,866	21,866	2.57%
Affordable Housing Use Tax	8,000	18,060	101,000	150,531	49,531	49.04%
Total Affordable Housing Receipts	80,000	109,946	952,000	1,023,397	71,397	7.50%
Total Receipts*	\$ 3,546,000	\$ 4,814,234	\$ 41,779,000	\$ 44,725,616	\$ 2,946,616	7.05%

*Excluding the portion paid to a Tax Increment Finance District.

Sales and Use Tax Trends Year to date

Sales and use tax for December 2021 compared to prior year:

The City's sales taxes experienced a \$688,017 increase (31.76%).

The City's use taxes experienced a \$182,528 increase (48.37%).

The City's portion of the County's general sales and use tax experienced a \$370,167 increase (35.28%).

Sales and use tax for Jan. – Dec. 2021 compared to prior year:

The City's sales taxes experienced a \$2,257,114 increase (9.08%).

The City's use taxes experienced a \$1,020,785 increase (28.00%).

The City's portion of the County's general sales and use tax experienced a \$1,485,073 increase (12.76%).

Year-to-date total sales and use tax revenues (including special districts) experienced a \$4,777,201 increase (11.78%) compared to the prior year.

All Sales Taxes Collected	December 2020	December 2021	2020 YTD Collected	2021 YTD Collected	Increase/ (Decrease)	% Change
Sales Taxes	\$ 2,165,993	\$ 2,854,010	\$ 24,849,885	\$ 27,106,999	\$ 2,257,114	9.08%
Use Taxes	377,326	559,854	3,645,672	4,666,457	1,020,785	28.00%
City portion of County Taxes	1,049,305	1,419,472	11,636,193	13,121,266	1,485,073	12.76%
Special District Taxes	35,844	40,136	417,084	431,313	14,229	3.41%
All Sales Taxes Collected	\$ 3,628,467	\$ 4,873,471	\$ 40,548,834	\$ 45,326,035	\$ 4,777,201	11.78%
Sales Tax by Category						
City Sales tax	\$ 1,388,617	\$ 1,830,320	\$ 15,956,215	\$ 17,391,330	\$ 1,435,115	8.99%
City Use tax	243,436	361,196	2,352,047	3,010,618	658,571	28.00%
City Share County Sales Tax	867,876	1,151,737	9,909,722	10,905,015	995,294	10.04%
City Share County Use Tax	176,497	261,570	1,677,707	2,161,283	483,576	28.82%
Total General Fund Receipts	2,676,426	3,604,823	29,895,690	33,468,246	3,572,555	11.95%
Infrastructure Sales Tax	376,607	551,320	4,294,995	5,237,199	942,204	21.94%
Infrastructure Use Tax	73,031	108,359	705,614	903,185	197,571	28.00%
Total Capital Impr. Reserve Receipts	449,638	659,679	5,000,609	6,140,384	1,139,775	22.79%
Infrastructure Sales Tax	41,667	-	500,000	-	(500,000)	-100.00%
Transit Sales Tax	278,849	367,547	3,196,663	3,491,466	294,803	9.22%
Transit Use Tax	48,687	72,239	470,409	602,123	131,714	28.00%
Total Transit Receipts	327,537	439,786	3,667,072	4,093,589	426,517	11.63%
Affordable Housing Sales Tax	69,712	91,887	799,166	872,866	73,701	9.22%
Affordable Housing Use Tax	12,172	18,060	117,602	150,531	32,929	28.00%
Total Affordable Housing Receipts	81,884	109,946	916,768	1,023,397	106,629	11.63%
Free State TDD	27,046	29,159	330,919	333,968	3,049	0.92%
Oread TDD	5,630	7,414	55,284	65,998	10,714	19.38%
Oread TIF City Share	5,630	7,414	55,284	65,998	10,714	19.38%
Oread TIF City Share of County	3,214	4,232	31,526	37,644	6,119	19.41%
Total Oread Receipts**	14,474	19,060	142,094	169,641	27,547	19.39%
9th IH South TDD	3,168	3,563	30,880	31,346	466	1.51%
9th IH South TIF City Share	4,910	5,522	47,562	48,140	578	1.22%
9th IH South TIF City Share of Co	1,718	1,932	17,239	17,324	85	0.49%
Total 9th IH South Receipts	9,796	11,017	95,681	96,810	1,129	1.18%
Total Special Districts	51,316	59,236	568,695	600,419	31,724	5.58%
Total Receipts	\$ 3,628,467	\$ 4,873,471	\$ 40,548,834	\$ 45,326,035	\$ 4,777,201	11.78%

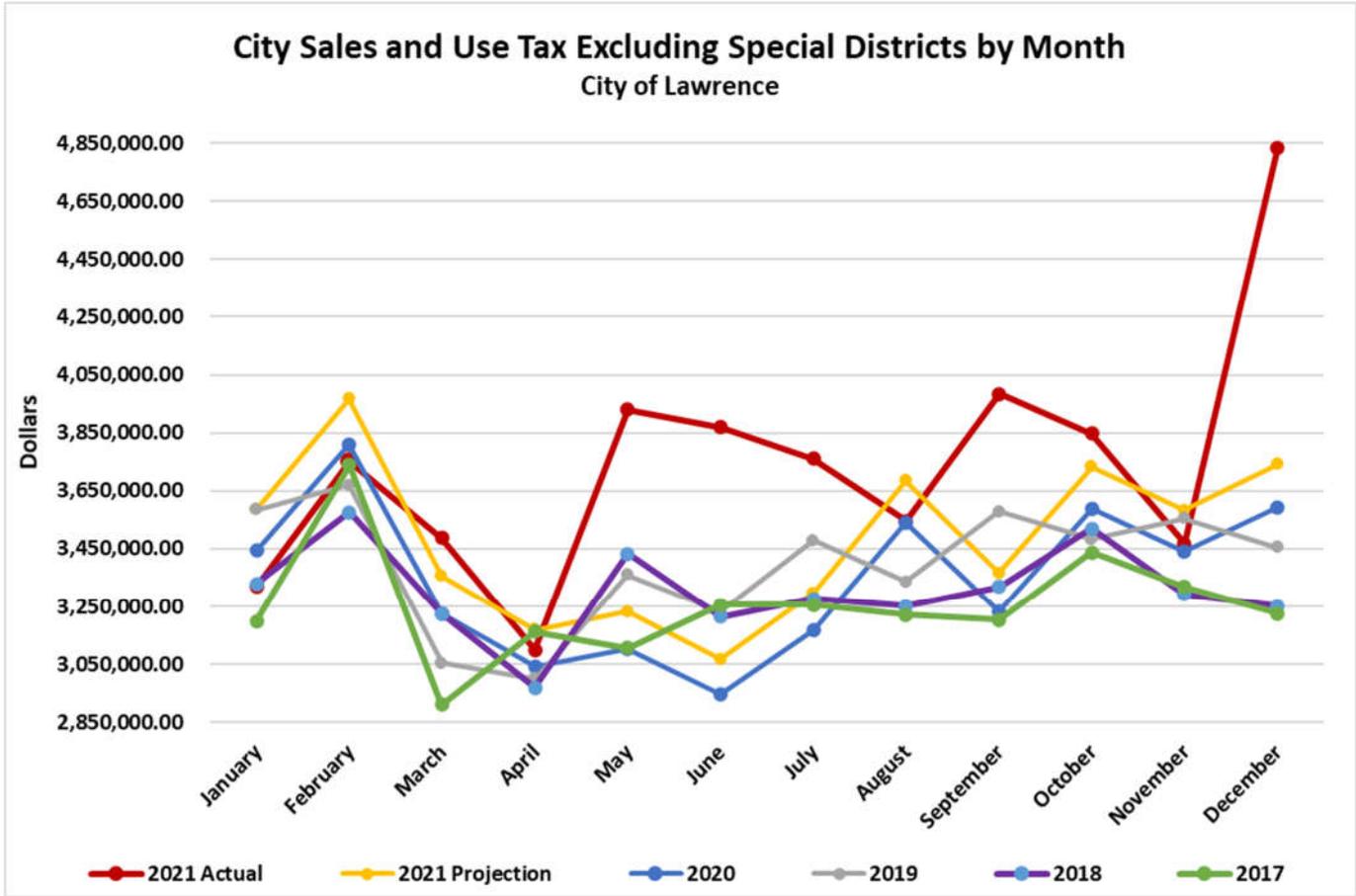
**Oread distributions are currently under review.

Given the City's reliance on sales tax, and the significant impact that COVID-19 has had on sales in the City, we felt a little deeper analysis of where we are in relation to where we have been, and where we believe we are headed would be beneficial.

This chart has been modified to include FY's 2017-2018 for historical context, FY 2019 as a baseline, as well as FY 2020 (COVID-19 impacted), and our actual results and current projection for FY 2021. As you can see from the chart, our sales and use tax is higher than we projected, by 7.05%.

As the chart illustrates from January through December:

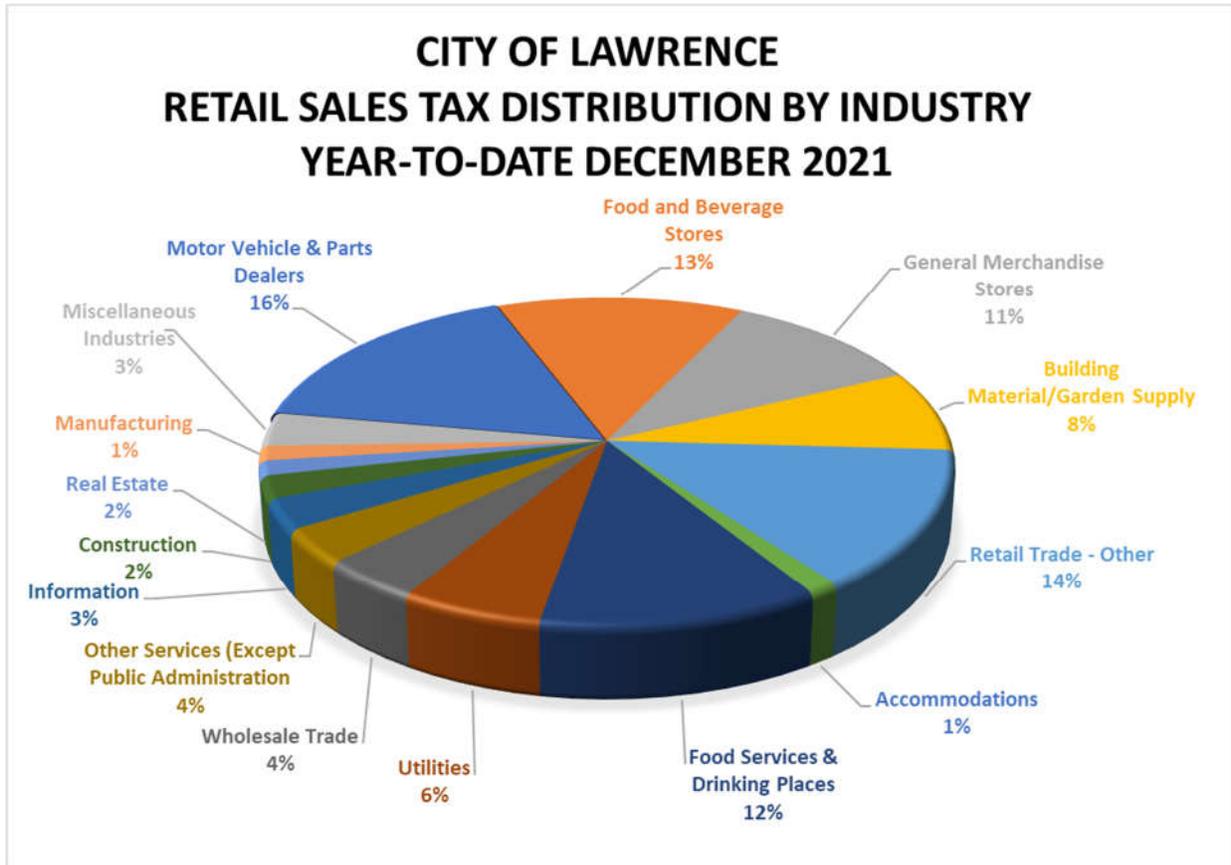
- FY 2019 collections were \$40.79 million.
- FY 2020 collections were \$40.13 million. 1.61% loss compared with the prior year.
- FY 2021 collections are \$44.89 million. 11.87% growth over the prior year.



This chart shows month over month change for FY's 2017-2018 for historical context, FY 2019 as a baseline, as well as FY 2020 (COVID-19 impacted), and our actual results. The City has had positive growth in monthly sales tax collection when compared to FY 2020 for the past ten months.

Sales Tax Distribution

Sales within the City are from a wide variety of industries. The largest industrial segment is Retail trade at around 62% 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 compared to last year. There was also growth in seven of the other significant categories. Overall total sales were up by \$2,257,114 or 9.08% when compared to last year.

NAICS Industry Sector	2020	2021	FY21 vs. FY20	
			Increase (Decrease)	% Change
Motor Vehicle & Parts Dealers	\$ 3,821,172	\$ 4,446,005	\$ 624,833	16.35%
Food and Beverage Stores	3,616,493	3,540,997	(75,496)	-2.09%
General Merchandise Stores	2,708,413	2,893,510	185,097	6.83%
Building Material/Garden Supply	2,008,373	2,157,096	148,723	7.41%
Retail Trade - Other	3,198,796	3,763,150	564,354	17.64%
Accommodations	265,246	340,153	74,907	28.24%
Food Services & Drinking Places	2,805,753	3,188,325	382,572	13.64%
Utilities	1,500,062	1,615,947	115,885	7.73%
Wholesale Trade	996,395	1,136,182	139,787	14.03%
Other Services (Except Public Admin)	987,143	941,485	(45,659)	-4.63%
Information	731,369	812,549	81,179	11.10%
Construction	632,316	600,135	(32,181)	-5.09%
Real Estate	387,875	393,697	5,822	1.50%
Manufacturing	374,967	388,269	13,302	3.55%
Miscellaneous Industries	815,512	889,499	73,987	9.07%
Grand Total	\$24,849,885	\$27,106,999	\$2,257,114	9.08%

The \$2.26 million is mainly comprised of stronger sales in the Motor Vehicle and Parts sector (28% of the increase) as well as the Food Services and Drinking Places sector (17% of the increase).

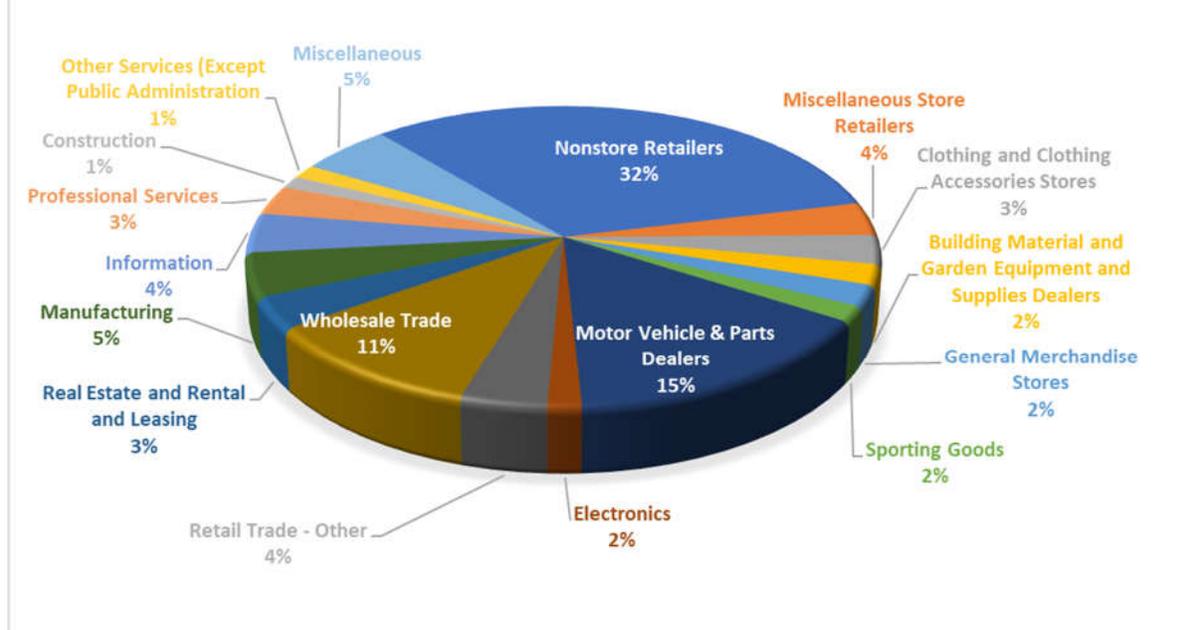
The following table illustrates the rank of the key industry sectors by year.

	2021	2020	2019	2018	2017	2016	
Motor Vehicle & Parts Dealers	4,446,005	1 3,821,172	1 3,830,944	1 3,807,651	1 3,814,984	1 3,653,095	1
Food and Beverage Stores	3,540,997	2 3,616,493	2 3,383,833	2 3,338,180	2 3,103,981	2 3,343,171	2
Food Services & Drinking Places	3,188,325	3 2,805,753	3 2,557,427	4 2,661,067	4 2,603,029	4 2,608,933	4
General Merchandise Stores	2,893,510	4 2,708,413	4 2,686,975	3 3,024,637	3 3,024,664	3 2,891,951	3
Building Material/Garden Supply	2,157,096	5 2,008,373	5 1,746,155	5 1,681,417	6 1,587,960	6 1,541,131	5
Utilities	1,615,947	6 1,500,062	6 1,560,170	6 1,712,413	5 1,675,916	5 1,541,131	6
Wholesale Trade	1,136,182	7 996,395	7 1,168,292	8 1,086,444	8 1,153,580	8 1,177,997	7
Other Services (Except Public Admin)	941,485	8 987,143	8 1,171,111	7 1,098,664	7 1,159,305	7 1,112,898	8
Information	812,549	9 731,369	9 832,886	10 629,714	10 569,721	10 616,759	10
Construction	600,135	10 632,316	10				
Accommodations			1,031,813	9 956,476	9 924,583	9 983,510	9

Use Tax Distribution

Use taxes within the City are from a wide variety of industries. The largest industrial segment is Retail trade at around 66% of all use taxes (Noted in the table below in blue).

CITY OF LAWRENCE USE SALES TAX DISTRIBUTION BY INDUSTRY YEAR-TO-DATE DECEMBER 2021



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 eight categories are listed separately. The table shows that there was growth in all but one significant category in Retail Trade when compared to last year. There was also growth in five of the other significant categories when compared to last year. Overall total use taxes were up by \$1,020,785 or 28.00% when compared to last year.

NAICS Industry Sector	2020	2021	FY21 vs. FY20	
			Increase	%
			(Decrease)	Change
Nonstore Retailers	\$ 965,910	\$ 1,508,070	\$ 542,160	56.13%
Miscellaneous Store Retailers	130,033	166,996	36,963	28.43%
Clothing Stores	125,022	144,909	19,887	15.91%
Building Material/Garden Supply	107,167	102,071	(5,096)	-4.76%
General Merchandise Stores	100,728	105,565	4,836	4.80%
Sporting Goods	59,315	76,498	17,183	28.97%
Motor Vehicle & Parts Dealers	483,533	709,301	225,768	46.69%
Electronics	59,346	71,640	12,294	20.72%
Retail Trade - Other	162,304	184,560	22,256	13.71%
Wholesale Trade	453,227	493,040	39,813	8.78%
Real Estate and Rental and Leasing	168,172	160,378	(7,795)	-4.64%
Manufacturing	210,234	218,286	8,052	3.83%
Information	156,307	197,802	41,495	26.55%
Professional Services	138,052	146,008	7,956	5.76%
Construction	86,989	61,608	(25,381)	-29.18%
Other Services (Except Public Admin)	64,725	69,364	4,638	7.17%
Miscellaneous	174,608	250,363	75,755	43.39%
Grand Total	\$ 3,645,672	\$ 4,666,457	\$1,020,785	28.00%

The \$1.02 million is mainly comprised of stronger sales in the Nonstore Retailers sector (53% of the increase) as well as the Motor Vehicle and Parts sector (22% of the increase).

The following table illustrates the rank of the key industry sectors by year. The City has only been tracking Use Tax by Sector since 2019.

	2021		2020		2019	
Nonstore Retailers	1,508,070	1	965,910	1	630,415	1
Motor Vehicle & Parts Dealers	709,301	2	483,533	2	485,076	3
Wholesale Trade	493,040	3	453,227	3	493,400	2
Manufacturing	218,286	4	210,234	4	170,028	5
Information	197,802	5	156,307	6	131,703	7
Miscellaneous Store Retailers	166,996	6	130,033	8	142,754	6
Real Estate and Rental and Leasing	160,378	7	168,172	5	182,821	4
Professional Services	146,008	8	138,052	7	109,147	8
Clothing Stores	144,909	9	125,022	9	96,230	9
General Merchandise Stores	105,565	10	100,728	10	81,195	10

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.

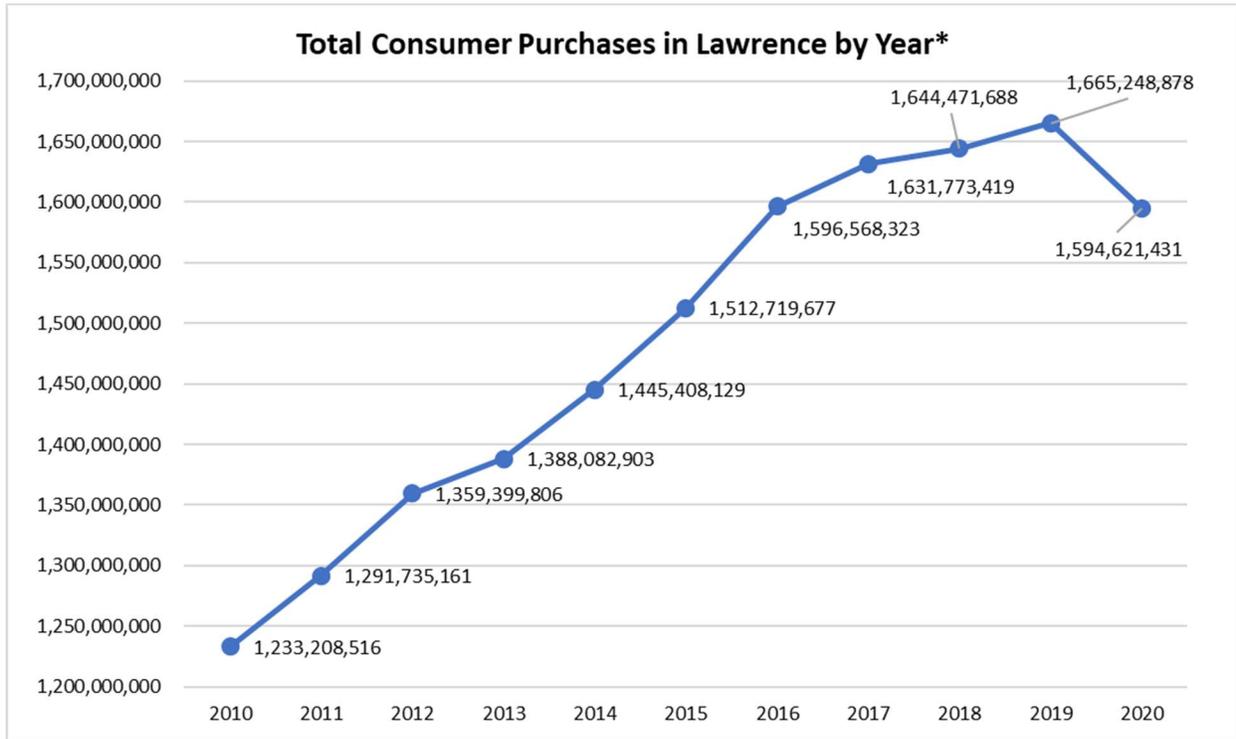
The TDD and TIF districts within the City are used to reimburse a developer for approved improvements. The receipts for the TDD and TIF are receipted into separate funds. Further performance information on the Districts may be found in the City's economic development reports <https://lawrenceks.org/ed/>.

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**



STATE OF KANSAS
Lynn W. Rogers
 TREASURER

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

TELEPHONE
 (785) 296-4153

JEREMY WILLMOTH
 PO BOX 708
 LAWRENCE, KS 66044

December 27, 2021

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 12/30/2021. The details are as follows:

Detail Description	County	Amount
Dec 2021 Compensating Use Tax		
City Tax File	Douglas	559,853.90
City Share From County Tax	Douglas	261,570.29
Total for Dec 2021 Compensating Use Tax:		\$821,424.19
Dec 2021 Sales Tax		
City Tax File	Douglas	2,854,009.52
City Share From County Tax	Douglas	1,157,901.25
Total for Dec 2021 Sales Tax:		\$4,011,910.77
Dec 2021 Transportation Dev Dist Tax		
Lawrence Transportation	Douglas	29,158.88
Lawrence 2 Transportation	Douglas	7,414.11
Lawrence 9thnh Transport	Douglas	3,562.71
Total for Dec 2021 Transportation Dev Dist Tax:		\$40,135.70
Grand Total Amount:		\$4,873,470.66

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