

Memorandum

City of Lawrence

Finance Department

TO: Craig S. Owens, City Manager

FROM: Jeremy Willmoth, Finance Director

DATE: November 29, 2021

RE: November 2021 Sales and Use Tax Report

The City received its November sales and use taxes, along with its share of County sales and use tax, and the special taxing districts distribution, which totaled \$3,512,331. This is predominately from sales that occurred in September 2021. Of this amount, \$2,854,504 was from sales taxes and \$614,425 was from use taxes before Tax Increment Financing Districts (TIF) payments were applied. The remaining \$43,402 was from sales and use taxes within the three Transportation Development Districts (TDD).

November Sales and Use Tax

Sales and Use Tax Budget Comparison (excluding special districts)

Sales and use tax for November 2021 compared to budget:

The City's sales taxes experienced a \$103,026 decrease (-4.78%).

The City's use taxes experienced a \$183,063 increase (71.51%).

The City's portion of the County's general sales and use tax experienced a \$16,574 decrease (-1.70%).

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

The City's sales taxes experienced a \$1,335,787 increase (5.85%).

The City's use taxes experienced a \$1,402,603 increase (51.87%).

The City's portion of the County's general sales and use tax experienced a \$1,313,991 increase (12.71%).

Year-to-date total sales and use tax revenues experienced a \$4,052,381 increase (11.30%) compared to the budget.

| All Sales Taxes Collected | November Budget | November 2021 | 2021 Budget | 2021 YTD Collected | Increase/ (Decrease) | % Change |
|---|---------------------|---------------------|----------------------|----------------------|----------------------|---------------|
| Sales Taxes | \$ 2,156,000 | \$ 2,052,974 | \$ 22,816,000 | \$ 24,151,787 | \$ 1,335,787 | 5.85% |
| Use Taxes | 256,000 | 439,063 | 2,704,000 | 4,106,603 | 1,402,603 | 51.87% |
| City portion of County Taxes | 977,000 | 960,426 | 10,339,000 | 11,652,991 | 1,313,991 | 12.71% |
| All Sales Taxes Collected | \$ 3,389,000 | \$ 3,452,463 | \$ 35,859,000 | \$ 39,911,381 | \$ 4,052,381 | 11.30% |
| Sales Tax by Category | | | | | | |
| City Sales tax | \$ 1,391,000 | \$ 1,322,197 | \$ 14,716,000 | \$ 15,561,010 | \$ 845,010 | 5.74% |
| City Use tax | 166,000 | 283,267 | 1,743,000 | 2,649,421 | 906,421 | 52.00% |
| City Share County Sales Tax | 866,000 | 785,064 | 9,163,000 | 9,753,278 | 590,278 | 6.44% |
| City Share County Use Tax | 111,000 | 175,362 | 1,176,000 | 1,899,712 | 723,712 | 61.54% |
| Total General Fund Receipts | 2,534,000 | 2,565,889 | 26,798,000 | 29,863,423 | 3,065,423 | 11.44% |
| Infrastructure Sales Tax | 418,000 | 398,606 | 4,426,000 | 4,685,878 | 259,878 | 5.87% |
| Infrastructure Use Tax | 49,000 | 84,980 | 525,000 | 794,826 | 269,826 | 51.40% |
| Total Capital Impr. Reserve Receipts | 467,000 | 483,586 | 4,951,000 | 5,480,705 | 529,705 | 10.70% |
| Transit Sales Tax | 278,000 | 265,737 | 2,944,000 | 3,123,919 | 179,919 | 6.11% |
| Transit Use Tax | 33,000 | 56,653 | 349,000 | 529,884 | 180,884 | 51.83% |
| Total Transit Receipts | 311,000 | 322,390 | 3,293,000 | 3,653,803 | 360,803 | 10.96% |
| Affordable Housing Sales Tax | 69,000 | 66,434 | 730,000 | 780,980 | 50,980 | 6.98% |
| Affordable Housing Use Tax | 8,000 | 14,163 | 87,000 | 132,471 | 45,471 | 52.27% |
| Total Affordable Housing Receipts | 77,000 | 80,598 | 817,000 | 913,451 | 96,451 | 11.81% |
| Total Receipts* | \$ 3,389,000 | \$ 3,452,463 | \$ 35,859,000 | \$ 39,911,381 | \$ 4,052,381 | 11.30% |

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

Sales and Use Tax Trends Year to date

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

The City's sales taxes experienced a \$33,599 decrease (-1.60%).

The City's use taxes experienced a \$99,267 increase (29.21%).

The City's portion of the County's general sales and use tax experienced a \$38,934 decrease (-3.88%).

Sales and use tax for Jan. - November 2021 compared to prior year:

The City's sales taxes experienced a \$1,569,097 increase (6.92%).

The City's use taxes experienced a \$838,257 increase (25.65%).

The City's portion of the County's general sales and use tax experienced a \$1,114,906 increase (10.53%).

Year-to-date total sales and use tax revenues (including special districts) experienced a \$3,532,197 increase (9.57%) compared to the prior year.

| All Sales Taxes Collected | November 2020 | November 2021 | 2020 YTD Collected | 2021 YTD Collected | Increase/ (Decrease) | % Change |
|---|---------------------|---------------------|----------------------|----------------------|----------------------|---------------|
| Sales Taxes | \$ 2,097,709 | \$ 2,064,110 | \$ 22,683,892 | \$ 24,252,990 | \$ 1,569,097 | 6.92% |
| Use Taxes | 339,796 | 439,063 | 3,268,347 | 4,106,603 | 838,257 | 25.65% |
| City portion of County Taxes | 1,004,690 | 965,756 | 10,586,888 | 11,701,794 | 1,114,906 | 10.53% |
| Special District Taxes | 69,189 | 43,402 | 381,240 | 391,177 | 9,937 | 2.61% |
| All Sales Taxes Collected | \$ 3,511,385 | \$ 3,512,331 | \$ 36,920,367 | \$ 40,452,564 | \$ 3,532,197 | 9.57% |
| Sales Tax by Category | | | | | | |
| City Sales tax | \$ 1,348,680 | \$ 1,322,197 | \$ 14,567,599 | \$ 15,561,010 | \$ 993,412 | 6.82% |
| City Use tax | 219,223 | 283,267 | 2,108,611 | 2,649,421 | 540,811 | 25.65% |
| City Share County Sales Tax | 845,722 | 785,064 | 9,041,845 | 9,753,278 | 711,433 | 7.87% |
| City Share County Use Tax | 156,315 | 175,362 | 1,501,210 | 1,899,712 | 398,502 | 26.55% |
| Total General Fund Receipts | 2,569,940 | 2,565,889 | 27,219,265 | 29,863,423 | 2,644,158 | 9.71% |
| Infrastructure Sales Tax | 364,136 | 398,606 | 3,918,387 | 4,685,878 | 767,491 | 19.59% |
| Infrastructure Use Tax | 65,767 | 84,980 | 632,583 | 794,826 | 162,243 | 25.65% |
| Total Capital Impr. Reserve Receipts | 429,903 | 483,586 | 4,550,970 | 5,480,705 | 929,734 | 20.43% |
| Infrastructure Sales Tax | 41,667 | - | 458,333 | - | (458,333) | -100.00% |
| Transit Sales Tax | 270,535 | 265,737 | 2,917,814 | 3,123,919 | 206,105 | 7.06% |
| Transit Use Tax | 43,845 | 56,653 | 421,722 | 529,884 | 108,162 | 25.65% |
| Total Transit Receipts | 314,380 | 322,390 | 3,339,536 | 3,653,803 | 314,267 | 9.41% |
| Affordable Housing Sales Tax | 67,634 | 66,434 | 729,453 | 780,980 | 51,526 | 7.06% |
| Affordable Housing Use Tax | 10,961 | 14,163 | 105,431 | 132,471 | 27,041 | 25.65% |
| Total Affordable Housing Receipts | 78,595 | 80,598 | 834,884 | 913,451 | 78,567 | 9.41% |
| Free State TDD | 64,508 | 33,915 | 303,874 | 304,809 | 936 | 0.31% |
| Oread TDD | 3,995 | 6,489 | 49,654 | 58,584 | 8,930 | 17.98% |
| Oread TIF City Share | 3,995 | 6,489 | 49,654 | 58,584 | 8,930 | 17.98% |
| Oread TIF City Share of County | 2,281 | 3,704 | 28,312 | 33,412 | 5,100 | 18.01% |
| Total Oread Receipts** | 10,271 | 16,683 | 127,620 | 150,581 | 22,960 | 17.99% |
| 9th IH South TDD | 686 | 2,998 | 27,713 | 27,784 | 71 | 0.26% |
| 9th IH South TIF City Share | 1,064 | 4,647 | 42,652 | 42,618 | (34) | -0.08% |
| 9th IH South TIF City Share of Co | 372 | 1,626 | 15,521 | 15,392 | (129) | -0.83% |
| Total 9th IH South Receipts | 2,122 | 9,271 | 85,885 | 85,793 | (92) | -0.11% |
| Total Special Districts | 76,901 | 59,868 | 517,379 | 541,183 | 23,804 | 4.60% |
| Total Receipts | \$ 3,511,385 | \$ 3,512,331 | \$ 36,920,367 | \$ 40,452,564 | \$ 3,532,197 | 9.57% |

**Oread distributions are currently under review.

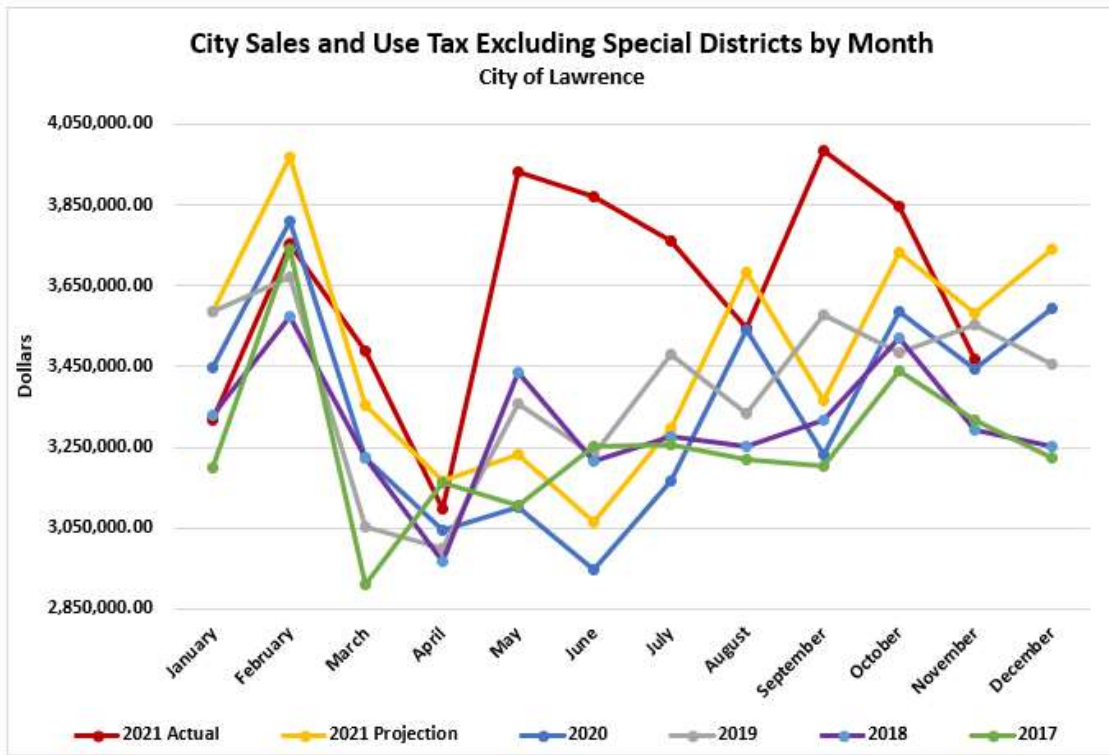
Given the City's reliance on sales tax, and the significant impact that COVID-19 has had on sales in the City, we felt a little deeper analysis of where we are in relation to where we have been, and where we believe we are headed would be beneficial.

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, through the first eleven months, our sales and use tax is higher than we projected, by 11.30%. Our 2021 Budget was revised to recognize the significant impact the virus

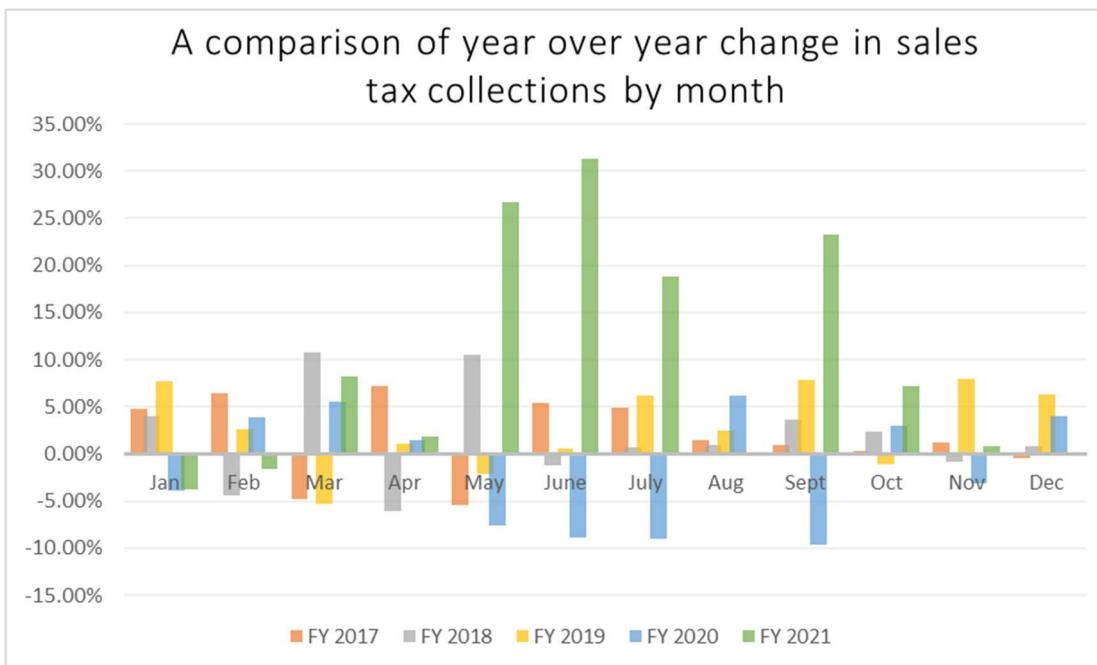
has had on our local economy. We will continue to monitor this monthly to compare what our actual results were compared to where we thought we would be and note any changes when necessary.

As the chart on the next page illustrates from January through November:

- FY 2019 collections were \$37.33 million.
- FY 2020 collections were \$36.54 million. 2.12% loss compared with the prior year.
- FY 2021 collections are \$40.06 million. 9.64% growth over the prior year.

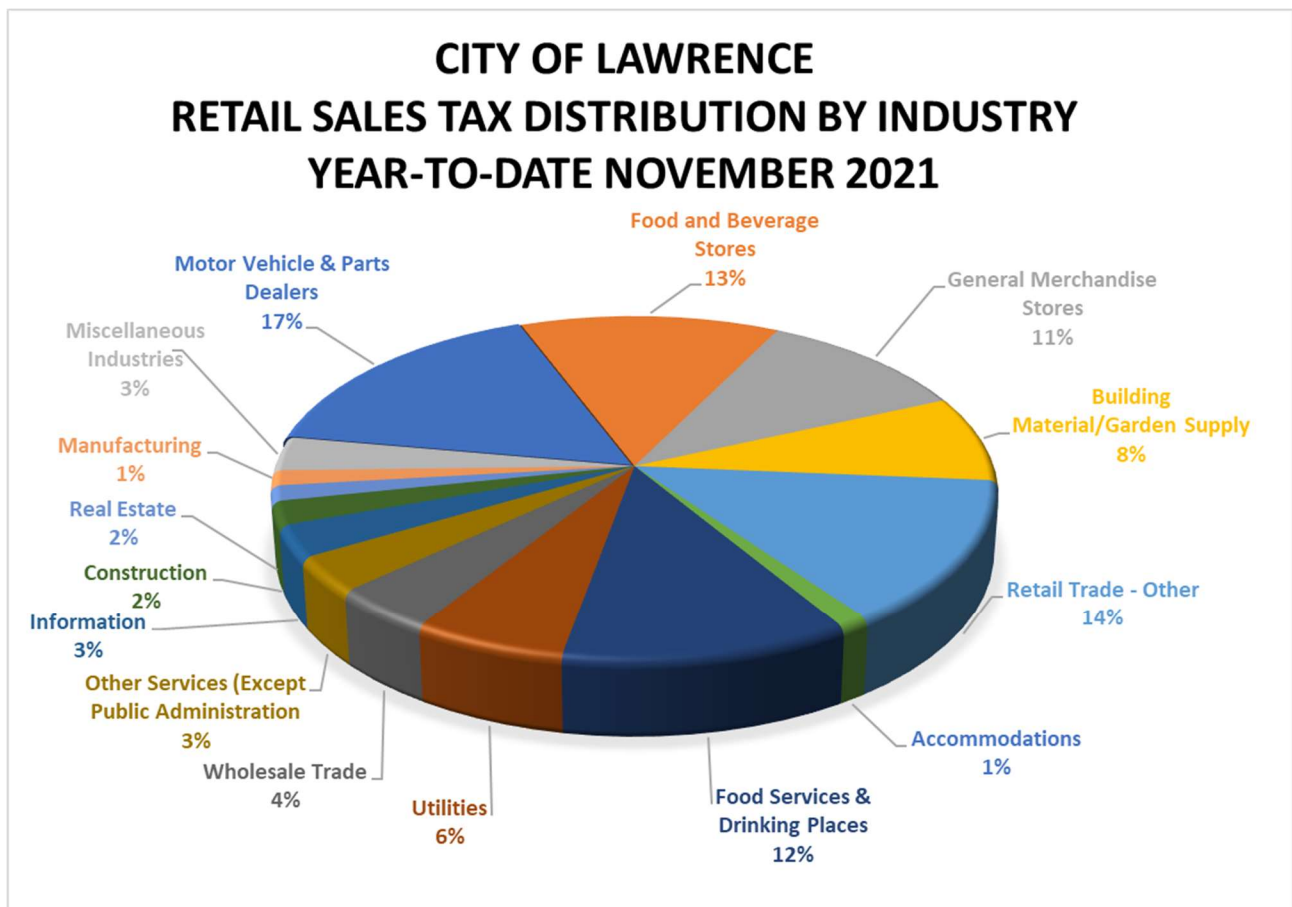


This chart shows month over month change for FY's 2017-2018 for historical context, FY 2019 as a baseline, as well as FY 2020 (COVID-19 impacted), and our actual results. The City has had positive growth in monthly sales tax collection when compared to FY 2020 for the past nine months.



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).

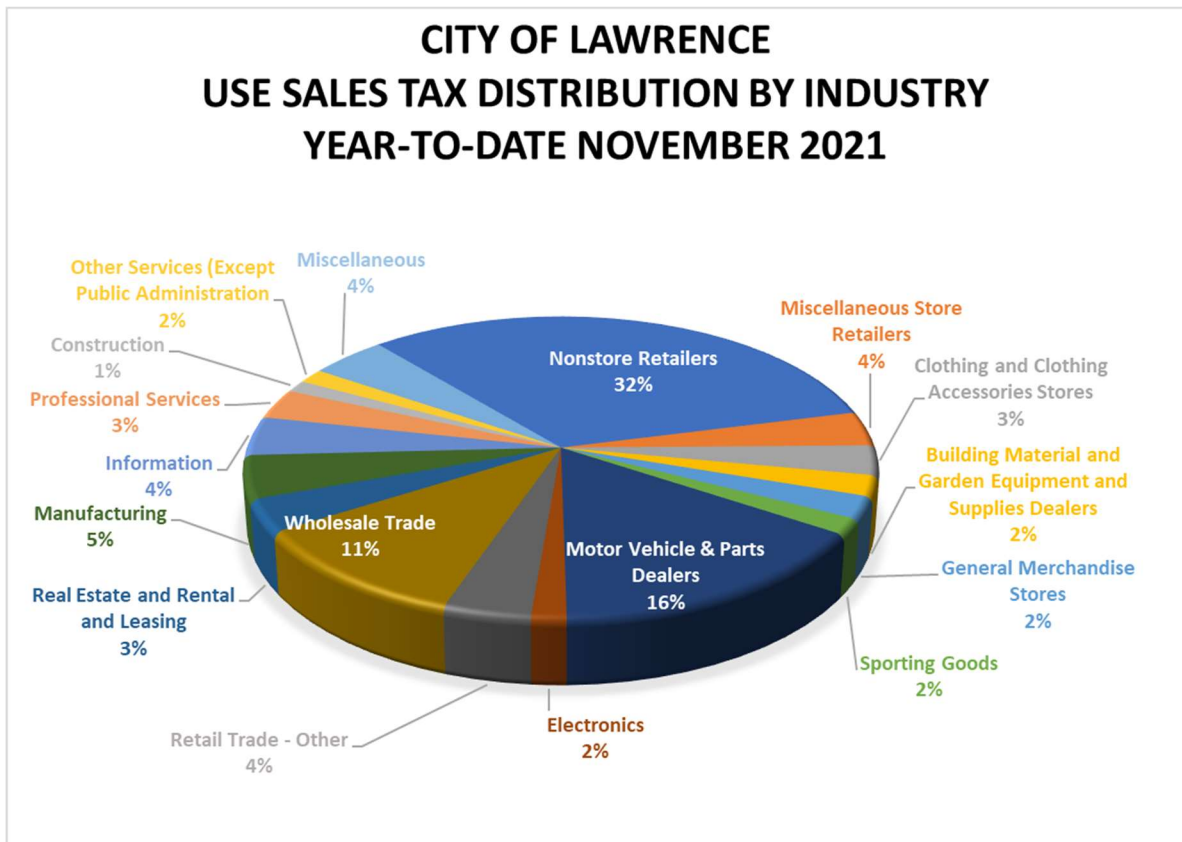


The following table is divided by the North American Classification System (NAICS) Industry Sectors to provide some context to the diversity within the City's sales tax system. Retail Trade has been broken out below, so the top four categories are listed separately. The table shows that there was growth in three of the four significant categories in Retail Trade in the first eleven months of 2021 compared to the same period last year. There was also growth in six of the other significant categories when compared to the same period last year. Overall total sales were up by \$1,569,097 or 6.92% when compared to the same period last year.

| NAICS Industry Sector | 2020 | 2021 | FY21 vs. FY20 | |
|---|--------------|--------------|------------------------|-------------|
| | | | Increase (Decrease) | % Change |
| Motor Vehicle & Parts Dealers | \$ 3,447,840 | \$ 3,986,348 | \$ 538,508 | 15.62% |
| Food and Beverage Stores | 3,323,765 | 3,187,216 | (136,549) | -4.11% |
| General Merchandise Stores | 2,485,562 | 2,648,588 | 163,026 | 6.56% |
| Building Material/Garden Supply | 1,829,278 | 1,950,454 | 121,176 | 6.62% |
| Retail Trade - Other | 2,887,202 | 3,343,842 | 456,641 | 15.82% |
| Accommodations | 241,527 | 287,201 | 45,675 | 18.91% |
| Food Services & Drinking Places | 2,557,514 | 2,804,089 | 246,574 | 9.64% |
| Utilities | 1,387,160 | 1,489,833 | 102,673 | 7.40% |
| Wholesale Trade | 921,934 | 1,009,997 | 88,063 | 9.55% |
| Other Services (Except Public Admin) | 913,187 | 820,797 | (92,390) | -10.12% |
| Information | 665,601 | 729,932 | 64,330 | 9.67% |
| Construction | 561,781 | 535,424 | (26,357) | -4.69% |
| Real Estate | 360,607 | 345,159 | (15,448) | -4.28% |
| Manufacturing | 340,375 | 343,097 | 2,722 | 0.80% |
| Miscellaneous Industries | 760,561 | 771,013 | 10,452 | 1.37% |
| Grand Total | \$22,683,892 | \$24,252,990 | \$1,569,097 | 6.92% |

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).



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 in the first eleven months of 2021 compared to the same period last year. There was also growth in four of the other significant categories when compared to the same period last year. Overall total use taxes were up by \$838,257 or 25.65% when compared to the same period last year.

| NAICS Industry Sector | 2020 | 2021 | FY21 vs. FY20 | |
|---|--------------|--------------|------------------------|-------------|
| | | | Increase (Decrease) | % Change |
| Nonstore Retailers | \$ 872,703 | \$ 1,321,234 | \$ 448,531 | 51.40% |
| Miscellaneous Store Retailers | 119,361 | 151,457 | 32,096 | 26.89% |
| Clothing Stores | 111,247 | 130,440 | 19,192 | 17.25% |
| Building Material/Garden Supply | 96,778 | 90,701 | (6,078) | -6.28% |
| General Merchandise Stores | 92,588 | 97,757 | 5,169 | 5.58% |
| Sporting Goods | 53,385 | 69,037 | 15,652 | 29.32% |
| Motor Vehicle & Parts Dealers | 402,859 | 638,391 | 235,533 | 58.47% |
| Electronics | 53,373 | 65,636 | 12,263 | 22.98% |
| Retail Trade - Other | 146,784 | 164,577 | 17,793 | 12.12% |
| Wholesale Trade | 406,886 | 442,102 | 35,216 | 8.66% |
| Real Estate and Rental and Leasing | 156,483 | 142,731 | (13,752) | -8.79% |
| Manufacturing | 193,166 | 189,575 | (3,591) | -1.86% |
| Information | 143,700 | 171,276 | 27,576 | 19.19% |
| Professional Services | 124,196 | 132,053 | 7,858 | 6.33% |
| Construction | 81,132 | 52,461 | (28,671) | -35.34% |
| Other Services (Except Public Admin) | 58,827 | 62,941 | 4,114 | 6.99% |
| Miscellaneous | 154,879 | 184,233 | 29,354 | 18.95% |
| Grand Total | \$ 3,268,347 | \$ 4,106,603 | \$ 838,257 | 25.65% |

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.

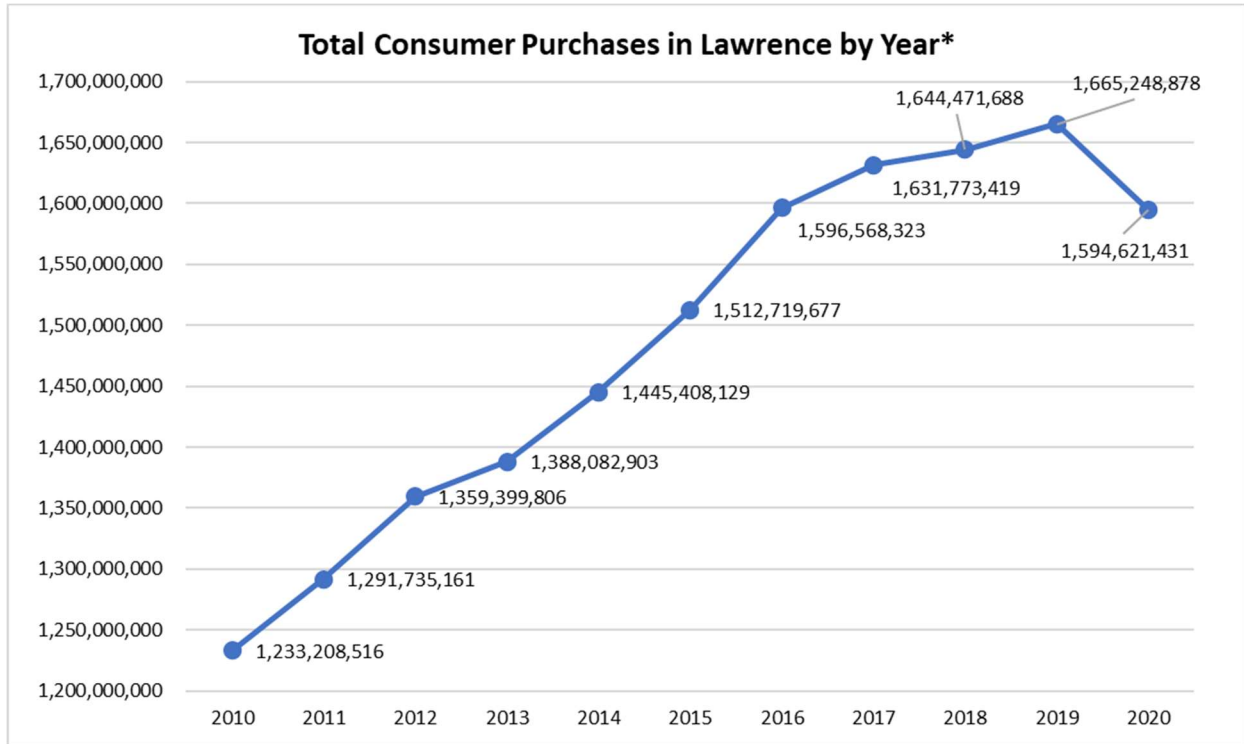
The TDD and TIF districts within the City are used to reimburse a developer for approved improvements. The receipts for the TDD and TIF are receipted into separate funds. Further performance information on the Districts may be found in the City's economic development reports <https://lawrenceks.org/ed/>.

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

November 23, 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 11/30/2021. The details are as follows:

| Detail Description | County | Amount |
|--|---------|-----------------------|
| Nov 2021 Compensating Use Tax | | |
| City Tax File | Douglas | 439,063.08 |
| City Share From County Tax | Douglas | 175,361.88 |
| Total for Nov 2021 Compensating Use Tax: | | \$614,424.96 |
| Nov 2021 Sales Tax | | |
| City Tax File | Douglas | 2,064,110.20 |
| City Share From County Tax | Douglas | 790,393.93 |
| Total for Nov 2021 Sales Tax: | | \$2,854,504.13 |
| Nov 2021 Transportation Dev Dist Tax | | |
| Lawrence Transportation | Douglas | 33,914.74 |
| Lawrence 2 Transportation | Douglas | 6,489.27 |
| Lawrence 9thnh Transport | Douglas | 2,998.03 |
| Total for Nov 2021 Transportation Dev Dist Tax: | | \$43,402.04 |
| Grand Total Amount: | | \$3,512,331.13 |

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