

Memorandum

City of Lawrence

Finance Department

TO: Craig S. Owens, City Manager

FROM: Jeremy Willmoth, Finance Director

DATE: August 30, 2022

RE: August 2022 Sales and Use Tax Report

The City received its August sales and use taxes, along with its share of County sales and use tax, and the special taxing districts distribution, which totaled \$4,099,786. This is predominately from sales that occurred in June 2022. Of this amount, \$3,362,115 was from sales taxes and \$698,027 was from use taxes before Tax Increment Financing Districts (TIF) payments were applied. The remaining \$39,643 was from sales and use taxes within the three Transportation Development Districts (TDD).

August Sales and Use Tax

Sales and Use Tax Budget Comparison (excluding special districts)

Sales and use tax for August 2022 compared to budget:

The City's sales taxes experienced a \$85,272 increase (3.70%).

The City's use taxes experienced a \$79,810 increase (20.10%).

The City's portion of the County's general sales and use tax experienced a \$61,188 increase (5.93%).

Sales and use tax for Jan. – August 2022 compared to budget:

The City's sales taxes experienced a \$716,945 increase (3.94%).

The City's use taxes experienced a \$727,495 increase (23.22%).

The City's portion of the County's general sales and use tax experienced a \$538,949 increase (6.12%).

Year-to-date total sales and use tax revenues experienced a \$1,983,389 increase (6.58%) compared to the budget.

All Sales Taxes Collected	August Budget	August 2022	2022 Budget	2022 YTD Collected	Increase/ (Decrease)	% Change
Sales Taxes	\$ 2,305,000	\$ 2,390,272	\$ 18,188,000	\$ 18,904,945	\$ 716,945	3.94%
Use Taxes	397,000	476,810	3,133,000	3,860,495	727,495	23.22%
City portion of County Taxes	1,116,000	1,177,188	8,809,000	9,347,949	538,949	6.12%
All Sales Taxes Collected	\$ 3,818,000	\$ 4,044,270	\$ 30,130,000	\$ 32,113,389	\$ 1,983,389	6.58%
Sales Tax by Category						
City Sales Tax	\$ 1,487,000	\$ 1,540,168	\$ 11,732,000	\$ 12,178,320	\$ 446,320	3.80%
City Use Tax	258,000	307,619	2,037,000	2,490,642	453,642	22.27%
City Share County Sales Tax	938,000	955,971	7,408,000	7,558,067	150,067	2.03%
City Share County Use Tax	178,000	221,217	1,401,000	1,789,882	388,882	27.76%
Total General Fund Receipts	2,861,000	3,024,976	22,578,000	24,016,910	1,438,910	6.37%
Infrastructure Sales Tax	447,000	463,693	3,528,000	3,669,068	141,068	4.00%
Infrastructure Use Tax	75,000	92,286	595,000	747,193	152,193	25.58%
Total Capital Impr. Reserve Receipts	522,000	555,979	4,123,000	4,416,261	293,261	7.11%
Transit Sales Tax	297,000	309,129	2,346,000	2,446,046	100,046	4.26%
Transit Use Tax	52,000	61,524	407,000	498,128	91,128	22.39%
Total Transit Receipts	349,000	370,653	2,753,000	2,944,174	191,174	6.94%
Affordable Housing Sales Tax	74,000	77,282	582,000	611,511	29,511	5.07%
Affordable Housing Use Tax	12,000	15,381	94,000	124,532	30,532	32.48%
Total Affordable Housing Receipts	86,000	92,663	676,000	736,043	60,043	8.88%
Total Receipts*	\$ 3,818,000	\$ 4,044,270	\$ 30,130,000	\$ 32,113,389	\$ 1,983,389	6.58%

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

Sales and Use Tax Trends Year to date

Sales and use tax for August 2022 compared to prior year:

The City's sales taxes experienced a \$250,633 increase (11.65%).

The City's use taxes experienced a \$128,960 increase (37.07%).

The City's portion of the County's general sales and use tax experienced a \$134,923 increase (12.88%).

Sales and use tax for Jan. - August 2022 compared to prior year:

The City's sales taxes experienced a \$1,481,674 increase (8.46%).

The City's use taxes experienced a \$1,036,296 increase (36.69%).

The City's portion of the County's general sales and use tax experienced a \$977,733 increase (11.62%).

Year-to-date total sales and use tax revenues (including special districts) experienced a \$3,527,324 increase (12.15%) compared to the prior year.

All Sales Taxes Collected	August 2021	August 2022	2021 YTD Collected	2022 YTD Collected	Increase/ (Decrease)	% Change
Sales Taxes	\$ 2,150,451	\$ 2,401,084	\$ 17,521,441	\$ 19,003,115	\$ 1,481,674	8.46%
Use Taxes	347,850	476,810	2,824,198	3,860,495	1,036,296	36.69%
City portion of County Taxes	1,047,325	1,182,248	8,416,676	9,394,409	977,733	11.62%
Special District Taxes	30,037	39,643	280,306	311,926	31,621	11.28%
All Sales Taxes Collected	\$ 3,575,663	\$ 4,099,786	\$ 29,042,621	\$ 32,569,945	\$ 3,527,324	12.15%
Sales Tax by Category						
City Sales tax	\$ 1,379,983	\$ 1,540,168	\$ 11,246,672	\$ 12,178,320	\$ 931,648	8.28%
City Use tax	224,419	307,619	1,822,064	2,490,642	668,578	36.69%
City Share County Sales Tax	878,248	955,971	7,056,067	7,558,067	502,000	7.11%
City Share County Use Tax	164,850	221,217	1,327,837	1,789,882	462,045	34.80%
Total General Fund Receipts	2,647,500	3,024,976	21,452,639	24,016,910	2,564,271	11.95%
Infrastructure Sales Tax	415,458	463,693	3,386,065	3,669,068	283,003	8.36%
Infrastructure Use Tax	67,326	92,286	546,619	747,193	200,573	36.69%
Total Capital Impr. Reserve Receipts	482,784	555,979	3,932,684	4,416,261	483,577	12.30%
Transit Sales Tax	276,972	309,129	2,257,377	2,446,046	188,669	8.36%
Transit Use Tax	44,884	61,524	364,413	498,128	133,716	36.69%
Total Transit Receipts	321,856	370,653	2,621,789	2,944,174	322,385	12.30%
Affordable Housing Sales Tax	69,243	77,282	564,344	611,511	47,167	8.36%
Affordable Housing Use Tax	11,221	15,381	91,103	124,532	33,429	36.69%
Total Affordable Housing Receipts	80,464	92,663	655,447	736,043	80,596	12.30%
Free State TDD	22,499	30,544	222,533	229,756	7,222	3.25%
Oread TDD	4,877	5,475	40,212	51,909	11,697	29.09%
Oread TIF City Share	4,877	5,475	40,212	51,909	11,697	29.09%
Oread TIF City Share of County	2,784	3,094	22,924	29,445	6,521	28.45%
Total Oread Receipts**	12,537	14,044	103,349	133,263	29,914	28.94%
9th IH South TDD	2,661	3,625	17,560	30,262	12,702	72.33%
9th IH South TIF City Share	3,919	5,337	26,771	46,262	19,490	72.80%
9th IH South TIF City Share of Co	1,443	1,966	9,847	17,015	7,168	72.79%
Total 9th IH South Receipts	8,023	10,928	54,179	93,538	39,360	72.65%
Total Special Districts	43,059	55,515	380,061	456,557	76,496	20.13%
Total Receipts	\$ 3,575,663	\$ 4,099,786	\$ 29,042,621	\$ 32,569,945	\$ 3,527,324	12.15%

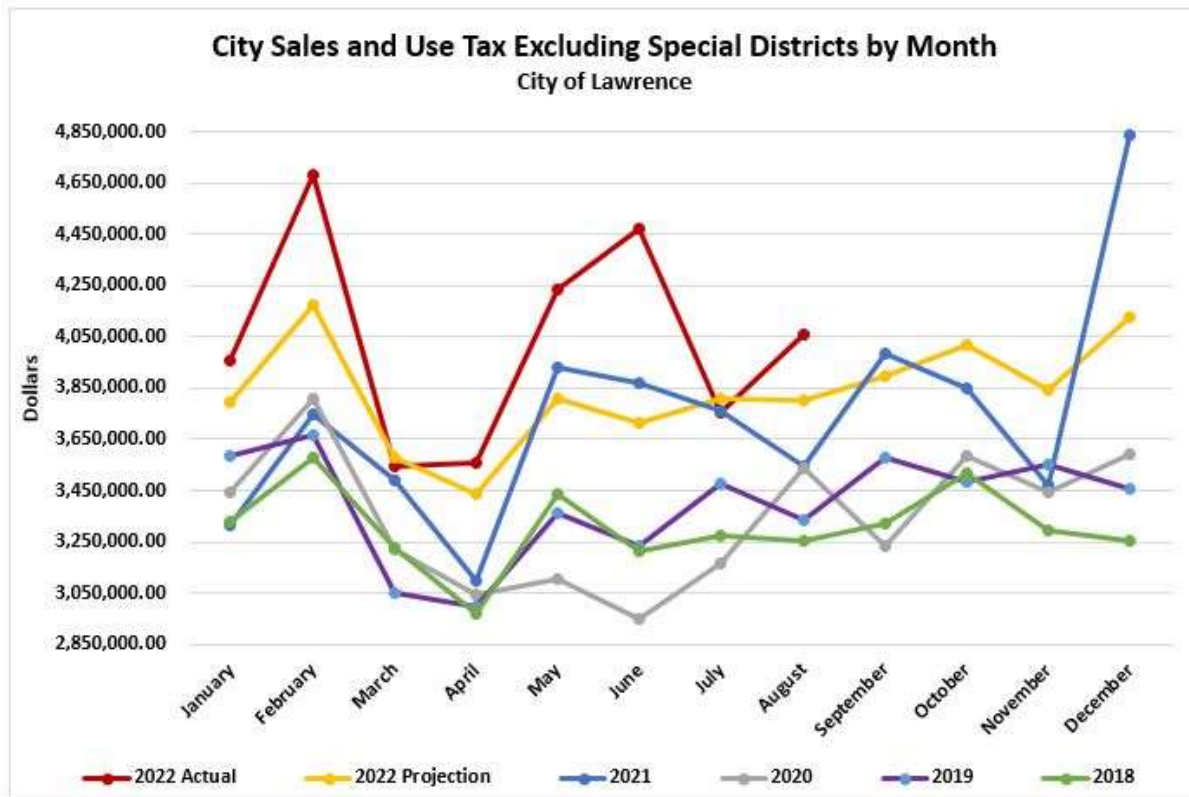
**Oread distributions are currently under review.

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.

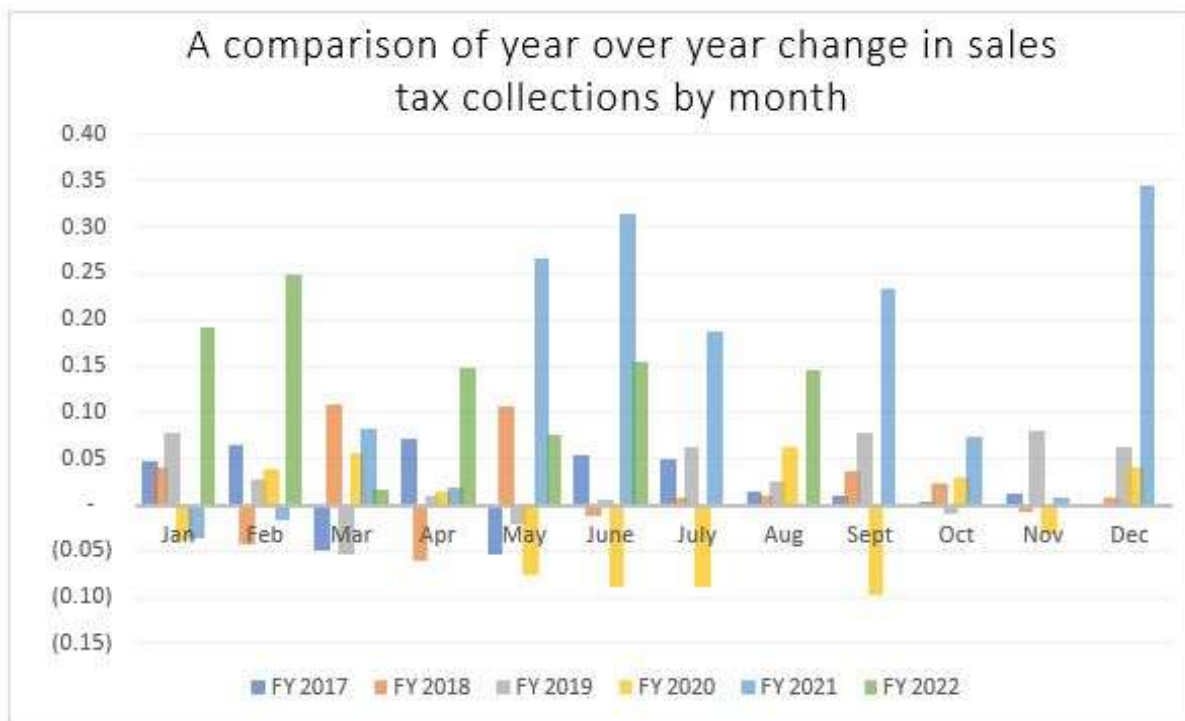
This chart has been modified to include FY's 2018-2021 and our actual results and current projection for FY 2022. As you can see from the chart, our sales and use tax is higher than we projected, by 6.58%.

As the chart illustrates for August:

- FY 2020 collections were \$26.28 million.
- FY 2021 collections were \$28.76 million. 9.45% growth over the prior year.
- FY 2022 collections are \$32.26 million. 12.15% growth over the prior year.



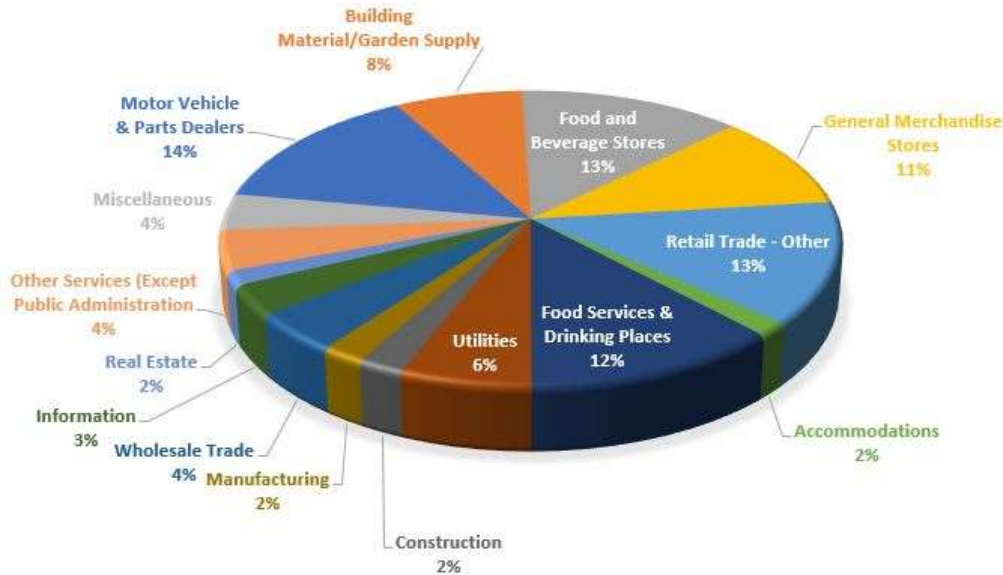
This chart shows month over month change for FY's 2017-2021, and our actual results for FY 2022. Over the last 18 months, sales tax has increased every month besides July 2022.



Sales Tax Distribution

Sales within the City are from a wide variety of industries. The largest industrial segment is Retail trade at around 59% of all sales (Noted in the table below in blue).

CITY OF LAWRENCE RETAIL SALES TAX DISTRIBUTION BY INDUSTRY YEAR-TO-DATE AUGUST 2022

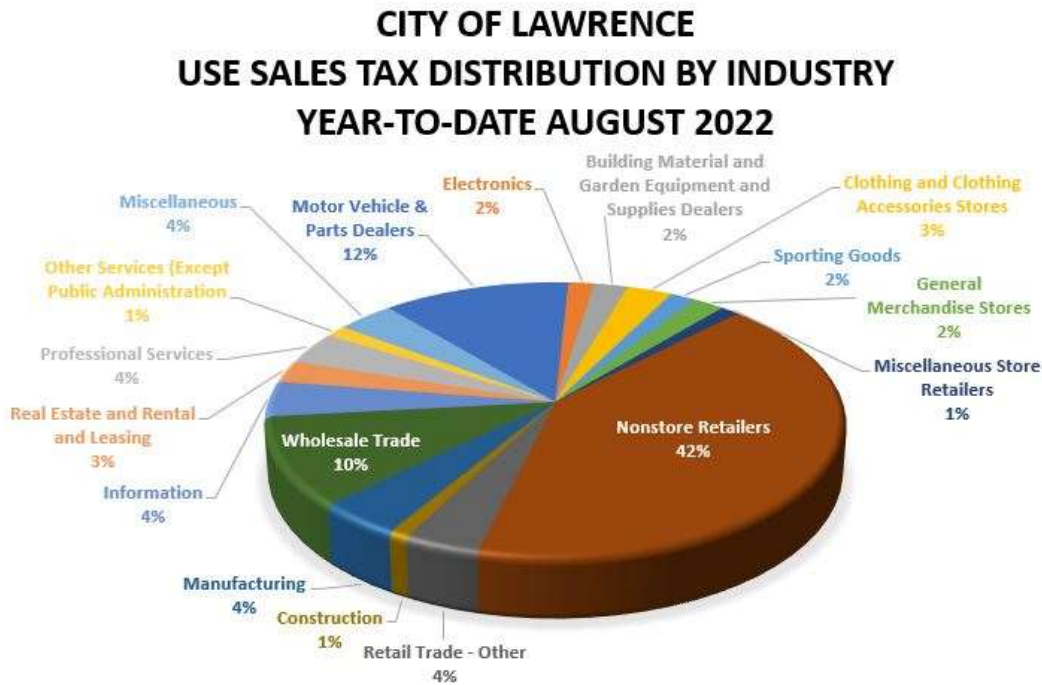


The following table is divided by the North American Industry Classification System (NAICS) sectors to provide some context to the diversity within the City's sales tax system. Retail Trade has been broken out below, so the top four categories are listed separately. The table shows that there was growth in all but one significant categories in Retail Trade compared to last year. There was also growth in all other significant categories. Overall total sales were up by \$1,481,674 or 8.46% when compared to last year.

NAICS Industry Sector	2021	2022	FY22 vs. FY21	
			Increase (Decrease)	% Change
Motor Vehicle & Parts Dealers	\$ 2,922,088	\$ 2,678,071	\$ (244,017)	-8.35%
Building Material/Garden Supply	1,419,585	1,448,973	29,387	2.07%
Food and Beverage Stores	2,394,971	2,513,053	118,082	4.93%
General Merchandise Stores	1,895,869	1,972,541	76,672	4.04%
Retail Trade - Other	2,422,667	2,537,632	114,965	4.75%
Accommodations	183,526	290,863	107,336	58.49%
Food Services & Drinking Places	2,042,508	2,277,202	234,695	11.49%
Utilities	1,012,813	1,163,560	150,747	14.88%
Construction	371,866	405,365	33,499	9.01%
Manufacturing	248,183	381,308	133,125	53.64%
Wholesale Trade	720,717	828,674	107,957	14.98%
Information	510,256	620,996	110,740	21.70%
Real Estate	246,509	296,302	49,793	20.20%
Other Services (Except Public Administration)	577,919	832,134	254,215	43.99%
Miscellaneous	551,963	756,442	204,478	37.05%
Grand Total	\$17,521,441	\$19,003,115	\$1,481,674	8.46%

Use Tax Distribution

Use taxes within the City are from a wide variety of industries. The largest industrial segment is Retail trade at around 69% 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 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 \$1,036,296 or 36.69% when compared to last year.

NAICS Industry Sector	2021	2022	FY22 vs. FY21	
			Increase (Decrease)	% Change
Motor Vehicle & Parts Dealers	\$ 443,252	\$ 460,777	\$ 17,526	3.95%
Electronics	48,324	62,334	14,010	28.99%
Building Material and Garden Equipment and Supplies Dealers	62,379	83,852	21,473	34.42%
Clothing and Clothing Accessories Stores	96,467	110,076	13,609	14.11%
Sporting Goods	51,727	62,974	11,247	21.74%
General Merchandise Stores	71,061	77,810	6,749	9.50%
Miscellaneous Store Retailers	116,095	45,460	(70,636)	-60.84%
Nonstore Retailers	809,324	1,603,539	794,215	98.13%
Retail Trade - Other	90,705	146,915	56,210	61.97%
Construction	41,531	37,754	(3,776)	-9.09%
Manufacturing	133,198	162,588	29,390	22.06%
Wholesale Trade	319,960	404,710	84,751	26.49%
Information	121,248	159,761	38,513	31.76%
Real Estate and Rental and Leasing	137,549	100,591	(36,958)	-26.87%
Professional Services	95,833	147,013	51,181	53.41%
Other Services (Except Public Administration)	42,450	51,903	9,453	22.27%
Miscellaneous	143,095	142,437	(658)	-0.46%
Grand Total	\$2,824,198	\$3,860,495	\$1,036,296	36.69%

Memorandum

City of Lawrence

Finance Department

TO: Craig S. Owens, City Manager

FROM: Jeremy Willmoth, Finance Director

DATE: January 26, 2022

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.

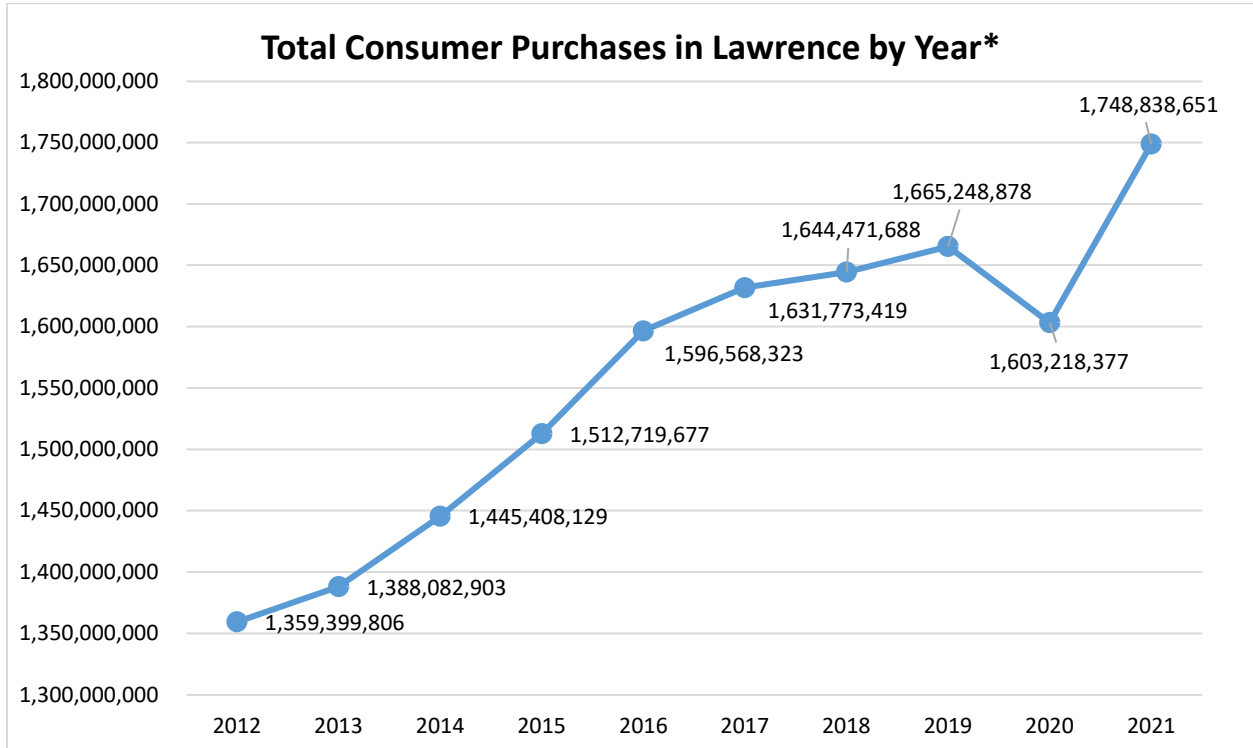
The TDD and TIF districts within the City are used to reimburse a developer for approved improvements. The receipts for the TDD and TIF are receipted into separate funds. Further performance information on the Districts may be found in the City's economic development reports <https://lawrenceks.org/ed/>.

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

COURTNEY SHANKS
 PO BOX 708
 LAWRENCE, KS 66044-0708

August 29, 2022

Dear Mrs Shanks,

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 09/01/2022. The details are as follows:

Detail Description	County	Amount
Aug 2022 Compensating Use Tax		
City Tax File	Douglas	476,809.99
City Share From County Tax	Douglas	221,217.20
Total for Aug 2022 Compensating Use Tax:		\$698,027.19
Aug 2022 Sales Tax		
City Tax File	Douglas	2,401,084.37
City Share From County Tax	Douglas	961,030.92
Total for Aug 2022 Sales Tax:		\$3,362,115.29
Aug 2022 Transportation Dev Dist Tax		
Lawrence Transportation	Douglas	30,543.58
Lawrence 2 Transportation	Douglas	5,474.90
Lawrence 9thnh Transport	Douglas	3,624.75
Total for Aug 2022 Transportation Dev Dist Tax:		\$39,643.23
Grand Total Amount:		\$4,099,785.71

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