

Memorandum

City of Lawrence

Finance Department

TO: Craig S. Owens, City Manager

FROM: Jeremy Willmoth, Finance Director

DATE: January 3, 2023

RE: December 2023 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 \$4,232,709. This is predominately from sales that occurred in October 2022. Of this amount, \$3,468,005 was from sales taxes and \$720,011 was from use taxes before Tax Increment Financing Districts (TIF) payments were applied. The remaining \$44,693 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 2022 compared to budget:

The City's sales taxes experienced a \$30,741 decrease (1.23%).

The City's use taxes experienced a \$65,018 increase (15.12%).

The City's portion of the County's general sales and use tax experienced a \$32,361 increase (0.78%).

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

The City's sales taxes experienced a \$1,372,467 increase (4.94%).

The City's use taxes experienced a \$1,081,330 increase (22.61%).

The City's portion of the County's general sales and use tax experienced a \$860,686 increase (6.40%).

Year-to-date total sales and use tax revenues experienced a \$3,314,482 increase (7.21%) compared to the budget.

All Sales Taxes Collected	December Budget	December 2022	2022 Budget	2022 YTD Collected	Increase/ (Decrease)	% Change
Sales Taxes	\$ 2,499,000	\$ 2,468,259	\$ 27,768,000	\$ 29,140,467	\$ 1,372,467	4.94%
Use Taxes	430,000	495,018	4,783,000	5,864,330	1,081,330	22.61%
City portion of County Taxes	1,210,000	1,208,084	13,449,000	14,309,686	860,686	6.40%
All Sales Taxes Collected	\$ 4,139,000	\$ 4,171,361	\$ 46,000,000	\$ 49,314,482	\$ 3,314,482	7.21%
Sales Tax by Category						
City Sales tax	\$ 1,612,000	\$ 1,590,697	\$ 17,910,000	\$ 18,773,510	\$ 863,510	4.82%
City Use tax	279,000	319,367	3,109,000	3,783,438	674,438	21.69%
City Share County Sales Tax	1,017,000	983,091	11,310,000	11,603,867	293,867	2.60%
City Share County Use Tax	193,000	224,993	2,139,000	2,705,819	566,819	26.50%
Total General Fund Receipts	3,101,000	3,118,147	34,468,000	36,866,634	2,398,634	6.96%
Infrastructure Sales Tax	485,000	478,670	5,387,000	5,654,704	267,704	4.97%
Infrastructure Use Tax	82,000	95,810	909,000	1,135,032	226,032	24.87%
Total Capital Impr. Reserve Receipts	567,000	574,480	6,296,000	6,789,735	493,735	7.84%
Transit Sales Tax	322,000	319,113	3,582,000	3,769,803	187,803	5.24%
Transit Use Tax	56,000	63,873	622,000	756,688	134,688	21.65%
Total Transit Receipts	378,000	382,987	4,204,000	4,526,490	322,490	7.67%
Affordable Housing Sales Tax	80,000	79,778	889,000	942,451	53,451	6.01%
Affordable Housing Use Tax	13,000	15,968	143,000	189,172	46,172	32.29%
Total Affordable Housing Receipts	93,000	95,747	1,032,000	1,131,623	99,623	9.65%
Total Receipts*	\$ 4,139,000	\$ 4,171,361	\$ 46,000,000	\$ 49,314,482	\$ 3,314,482	7.21%

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

Sales and Use Tax Trends Year to date

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

The City's sales taxes experienced a \$374,189 decrease (13.11%).

The City's use taxes experienced a \$64,836 decrease (11.58%).

The City's portion of the County's general sales and use tax experienced a \$640,762 decrease (13.15%).

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

The City's sales taxes experienced a \$2,180,389 increase (8.04%).

The City's use taxes experienced a \$1,197,872 increase (25.67%).

The City's portion of the County's general sales and use tax experienced a \$1,257,016 increase (9.58%).

Year-to-date total sales and use tax revenues (including special districts) experienced a \$4,780,650 increase (10.55%) compared to the prior year.

All Sales Taxes Collected	December 2021	December 2022	2021 YTD Collected	2022 YTD Collected	Increase/ (Decrease)	% Change
Sales Taxes	\$ 2,854,010	\$ 2,479,821	\$ 27,106,999	\$ 29,287,388	\$ 2,180,389	8.04%
Use Taxes	559,854	495,018	4,666,457	5,864,330	1,197,872	25.67%
City portion of County Taxes	1,419,472	1,213,177	13,121,266	14,378,282	1,257,016	9.58%
Special District Taxes	40,136	44,693	431,313	576,685	145,372	33.70%
All Sales Taxes Collected	\$ 4,873,471	\$ 4,232,709	\$ 45,326,035	\$ 50,106,685	\$ 4,780,650	10.55%
Sales Tax by Category						
City Sales tax	\$ 1,830,320	\$ 1,590,697	\$ 17,391,330	\$ 18,773,510	\$ 1,382,180	7.95%
City Use tax	361,196	319,367	3,010,618	3,783,438	772,821	25.67%
City Share County Sales Tax	1,151,737	983,091	10,905,015	11,603,867	698,851	6.41%
City Share County Use Tax	261,570	224,993	2,161,283	2,705,819	544,537	25.20%
Total General Fund Receipts	3,604,823	3,118,147	33,468,246	36,866,634	3,398,388	10.15%
Infrastructure Sales Tax	551,320	478,670	5,237,199	5,654,704	417,505	7.97%
Infrastructure Use Tax	108,359	95,810	903,185	1,135,032	231,846	25.67%
Total Capital Impr. Reserve Receipts	659,679	574,480	6,140,384	6,789,735	649,352	10.58%
Transit Sales Tax	367,547	319,113	3,491,466	3,769,803	278,337	7.97%
Transit Use Tax	72,239	63,873	602,123	756,688	154,564	25.67%
Total Transit Receipts	439,786	382,987	4,093,589	4,526,490	432,901	10.58%
Affordable Housing Sales Tax	91,887	79,778	872,866	942,451	69,584	7.97%
Affordable Housing Use Tax	18,060	15,968	150,531	189,172	38,641	25.67%
Total Affordable Housing Receipts	109,946	95,747	1,023,397	1,131,623	108,225	10.58%
Free State TDD	29,159	35,505	333,968	454,689	120,721	36.15%
Oread TDD	7,414	4,869	65,998	75,503	9,504	14.40%
Oread TIF City Share	7,414	4,869	65,998	75,503	9,504	14.40%
Oread TIF City Share of County	4,232	2,752	37,644	42,780	5,136	13.64%
Total Oread Receipts**	19,060	12,490	169,641	193,786	24,144	14.23%
9th NH South TDD	3,563	4,318	31,346	46,492	15,146	48.32%
9th NH South TIF City Share	5,522	6,693	48,140	71,419	23,279	48.36%
9th NH South TIF City Share of Co	1,932	2,342	17,324	25,817	8,493	49.03%
Total 9th NH South Receipts	11,017	13,352	96,810	143,728	46,918	48.46%
Total Special Districts	59,236	61,348	600,419	792,203	191,784	31.94%
Total Receipts	\$ 4,873,471	\$ 4,232,709	\$ 45,326,035	\$ 50,106,685	\$ 4,780,650	10.55%

**Oread distributions are currently under review.

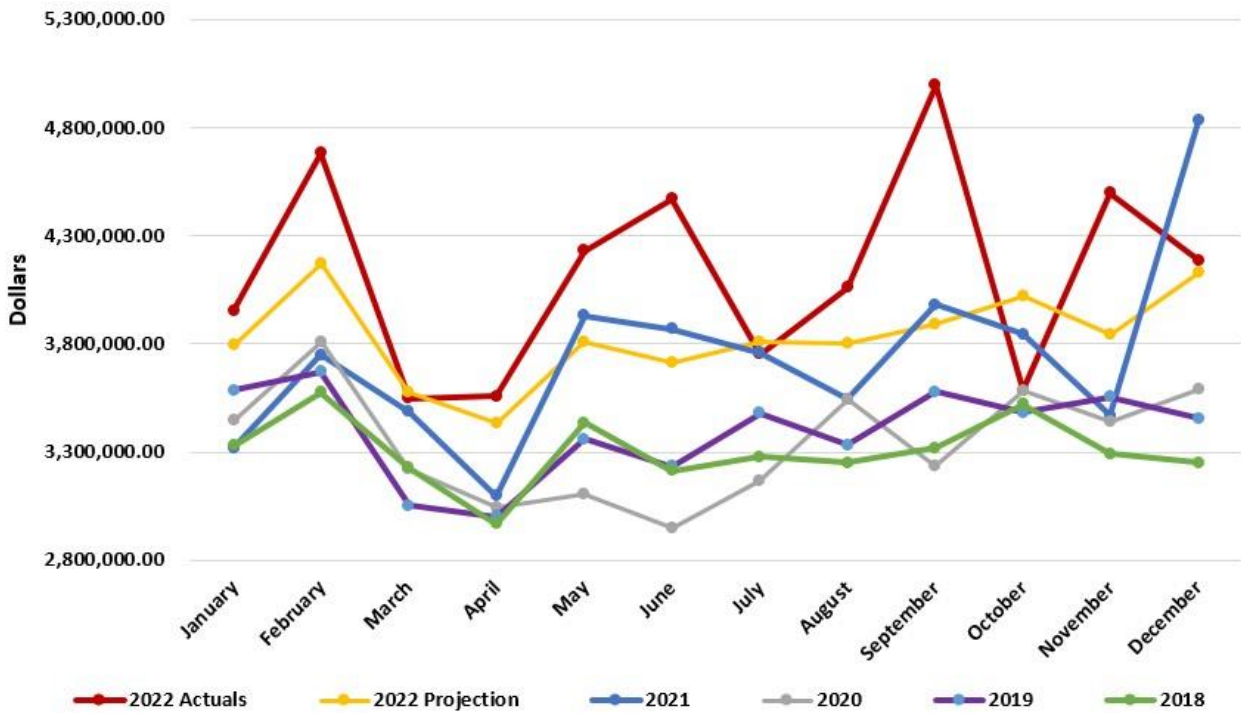
Given the City's reliance on sales tax, and the significant impact that COVID-19 has had on sales in the City, we felt a little deeper analysis of where we are in relation to where we have been, and where we believe we are headed would be beneficial.

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 7.21%.

As the chart illustrates for December:

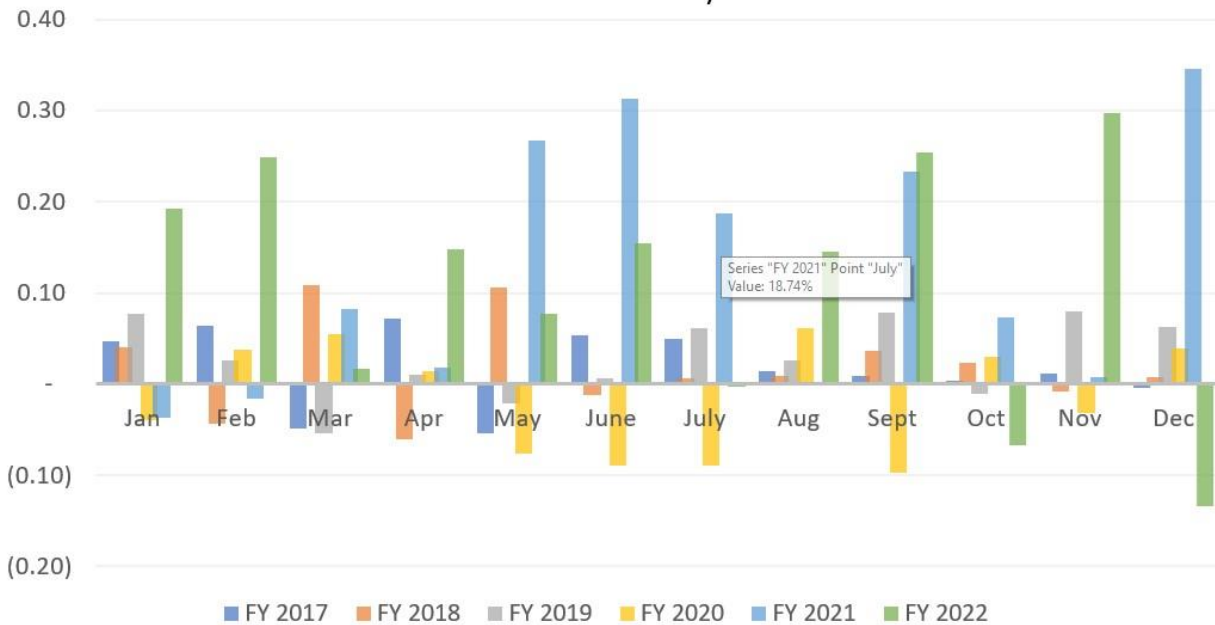
- FY 2020 collections were \$40.13 million.
- FY 2021 collections were \$44.89 million. 11.87% growth over the prior year.
- FY 2022 collections are \$49.53 million. 10.32% growth over the prior year.

City Sales and Use Tax Excluding Special Districts by Month City of Lawrence



This chart shows month over month change for FY's 2017-2021, and our actual results for FY 2022.

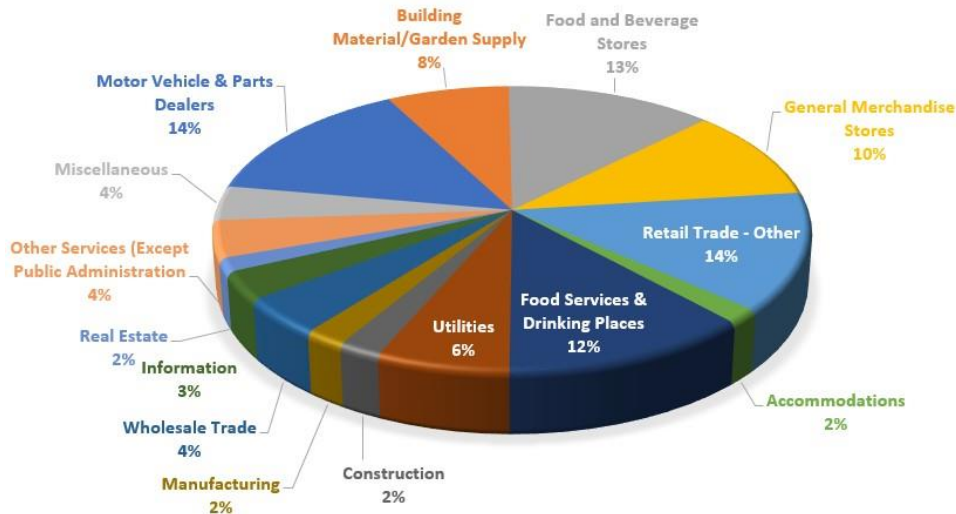
A comparison of year over year change in sales tax collections by month



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 DECEMBER 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 \$2,180,389 or 8.04% when compared to last year.

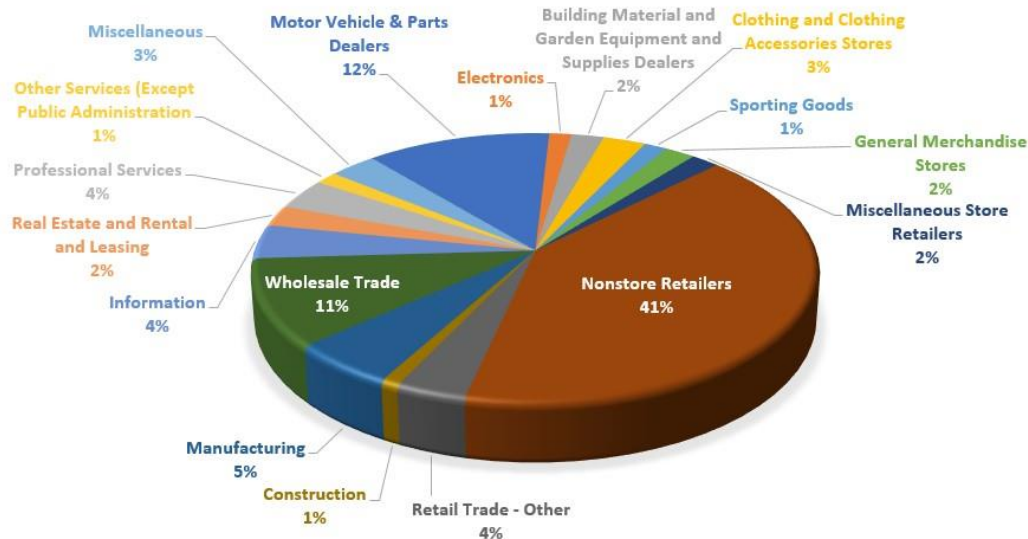
Sales Tax

NAICS Industry Sector	2021	2022	FY22 vs. FY21	
			Increase (Decrease)	% Change
Motor Vehicle & Parts Dealers	\$ 4,446,005	\$ 4,237,512	\$ (208,492)	-4.69%
Building Material/Garden Supply	2,157,096	2,208,372	51,275	2.38%
Food and Beverage Stores	3,540,997	3,758,896	217,899	6.15%
General Merchandise Stores	2,893,510	3,031,615	138,105	4.77%
Retail Trade - Other	3,763,150	3,948,463	185,313	4.92%
Accommodations	340,153	472,907	132,754	39.03%
Food Services & Drinking Places	3,188,325	3,531,917	343,592	10.78%
Utilities	1,615,947	1,887,080	271,134	16.78%
Construction	600,135	613,650	13,515	2.25%
Manufacturing	388,269	582,627	194,357	50.06%
Wholesale Trade	1,136,182	1,252,898	116,716	10.27%
Information	812,549	928,221	115,672	14.24%
Real Estate	393,697	448,233	54,536	13.85%
Other Services (Except Public Administration)	941,485	1,234,066	292,581	31.08%
Miscellaneous	889,499	1,150,931	261,431	29.39%
Grand Total	\$ 27,106,999	\$ 29,287,388	\$ 2,180,389	8.04%

Use Tax Distribution

Use taxes within the City are from a wide variety of industries. The largest industrial segment is Retail trade at around 68% of all use taxes (Noted in the table below in blue).

CITY OF LAWRENCE USE SALES TAX DISTRIBUTION BY INDUSTRY YEAR-TO-DATE DECEMBER 2022



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 two 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 \$1,197,872 or 25.67% when compared to last year.

Use Tax

NAICS Industry Sector	2021	2022	FY22 vs. FY21	
			Increase (Decrease)	% Change
Motor Vehicle & Parts Dealers	\$ 709,301	\$ 704,468	\$ (4,833)	-0.68%
Electronics	71,640	84,345	12,705	17.74%
Building Material and Garden Equipment	102,071	123,452	21,381	20.95%
Clothing and Clothing Accessories Store	144,909	162,275	17,366	11.98%
Sporting Goods	76,498	87,769	11,272	14.73%
General Merchandise Stores	105,565	116,211	10,647	10.09%
Miscellaneous Store Retailers	166,996	108,058	(58,938)	-35.29%
Nonstore Retailers	1,508,070	2,405,545	897,475	59.51%
Retail Trade - Other	184,560	213,119	28,559	15.47%
Construction	61,608	54,113	(7,495)	-12.17%
Manufacturing	218,286	318,141	99,855	45.74%
Wholesale Trade	493,040	618,239	125,199	25.39%
Information	197,802	238,201	40,399	20.42%
Real Estate and Rental and Leasing	160,378	146,245	(14,133)	-8.81%
Professional Services	146,008	216,668	70,660	48.39%
Other Services (Except Public Administr	69,364	86,015	16,651	24.01%
Miscellaneous	250,363	181,465	(68,898)	-27.52%
Grand Total	\$ 4,666,457	\$ 5,864,330	\$ 1,197,872	25.67%