

Memorandum

City of Lawrence

Finance Department

TO: Craig S. Owens, City Manager

FROM: Jeremy Willmoth, Finance Director

DATE: March 1, 2022

RE: February 2022 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 \$4,717,713. This is predominately from sales that occurred in December 2021. Of this amount, \$3,835,048 was from sales taxes and \$848,855 was from use taxes before Tax Increment Financing Districts (TIF) payments were applied. The remaining \$33,810 was from sales and use taxes within the three Transportation Development Districts (TDD).

February Sales and Use Tax

Sales and Use Tax Budget Comparison (excluding special districts)

Sales and use tax for February 2022 compared to budget:

The City's sales taxes experienced a \$202,106 increase (8.00%).

The City's use taxes experienced a \$143,142 increase (32.91%).

The City's portion of the County's general sales and use tax experienced a \$135,414 increase (11.06%).

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

The City's sales taxes experienced a \$226,209 increase (4.71%).

The City's use taxes experienced a \$238,700 increase (28.86%).

The City's portion of the County's general sales and use tax experienced a \$179,317 increase (7.71%).

Year-to-date total sales and use tax revenues experienced a \$644,225 increase (8.10%) compared to the budget.

All Sales Taxes Collected	February Budget	February 2022	2022 Budget	2022 YTD Collected	Increase/ (Decrease)	% Change
Sales Taxes	\$ 2,527,000	\$ 2,729,106	\$ 4,804,000	\$ 5,030,209	\$ 226,209	4.71%
Use Taxes	435,000	578,142	827,000	1,065,700	238,700	28.86%
City portion of County Taxes	1,224,000	1,359,414	2,327,000	2,506,317	179,317	7.71%
All Sales Taxes Collected	\$ 4,186,000	\$ 4,666,662	\$ 7,958,000	\$ 8,602,225	\$ 644,225	8.10%
Sales Tax by Category						
City Sales tax	\$ 1,630,000	\$ 1,758,185	\$ 3,098,000	\$ 3,240,418	\$ 142,418	4.60%
City Use tax	282,000	372,995	537,000	687,549	150,549	28.04%
City Share County Sales Tax	1,029,000	1,088,700	1,957,000	2,008,111	51,111	2.61%
City Share County Use Tax	195,000	270,714	370,000	498,206	128,206	34.65%
Total General Fund Receipts	3,136,000	3,490,593	5,962,000	6,434,284	472,284	7.92%
Infrastructure Sales Tax	490,000	529,594	932,000	976,249	44,249	4.75%
Infrastructure Use Tax	83,000	111,898	157,000	206,265	49,265	31.38%
Total Capital Impr. Reserve Receipts	573,000	641,492	1,089,000	1,182,514	93,514	8.59%
Transit Sales Tax	326,000	353,062	620,000	650,833	30,833	4.97%
Transit Use Tax	57,000	74,599	108,000	137,510	29,510	27.32%
Total Transit Receipts	383,000	427,661	728,000	788,343	60,343	8.29%
Affordable Housing Sales Tax	81,000	88,266	154,000	162,708	8,708	5.65%
Affordable Housing Use Tax	13,000	18,650	25,000	34,377	9,377	37.51%
Total Affordable Housing Receipts	94,000	106,915	179,000	197,086	18,086	10.10%
Total Receipts*	\$ 4,186,000	\$ 4,666,662	\$ 7,958,000	\$ 8,602,225	\$ 644,225	8.10%

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

Sales and Use Tax Trends Year to date

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

The City's sales taxes experienced a \$412,442 increase (17.71%).

The City's use taxes experienced a \$242,789 increase (72.40%).

The City's portion of the County's general sales and use tax experienced a \$277,832 increase (25.55%).

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

The City's sales taxes experienced a \$746,024 increase (17.31%).

The City's use taxes experienced a \$362,999 increase (51.66%).

The City's portion of the County's general sales and use tax experienced a \$461,579 increase (22.44%).

Year-to-date total sales and use tax revenues (including special districts) experienced a \$1,577,110 increase (22.08%) compared to the prior year.

All Sales Taxes Collected	February 2021	February 2022	2021 YTD Collected	2022 YTD Collected	Increase/ (Decrease)	% Change
Sales Taxes	\$ 2,328,228	\$ 2,740,670	\$ 4,309,382	\$ 5,055,406	\$ 746,024	17.31%
Use Taxes	335,353	578,142	702,701	1,065,700	362,999	51.66%
City portion of County Taxes	1,087,260	1,365,092	2,056,753	2,518,332	461,579	22.44%
Special District Taxes	37,821	33,810	74,477	80,984	6,507	8.74%
All Sales Taxes Collected	\$ 3,788,662	\$ 4,717,713	\$ 7,143,313	\$ 8,720,423	\$ 1,577,110	22.08%
Sales Tax by Category						
City Sales tax	\$ 1,497,254	\$ 1,758,185	\$ 2,768,852	\$ 3,240,418	\$ 471,567	17.03%
City Use tax	216,357	372,995	453,356	687,549	234,193	51.66%
City Share County Sales Tax	926,087	1,088,700	1,721,224	2,008,111	286,887	16.67%
City Share County Use Tax	158,421	270,714	329,036	498,206	169,170	51.41%
Total General Fund Receipts	2,798,119	3,490,593	5,272,468	6,434,284	1,161,816	22.04%
Infrastructure Sales Tax	450,254	529,594	833,200	976,249	143,049	17.17%
Infrastructure Use Tax	64,907	111,898	136,007	206,265	70,258	51.66%
Total Capital Impr. Reserve Receipts	515,161	641,492	969,207	1,182,514	213,307	22.01%
Transit Sales Tax	300,169	353,062	555,467	650,833	95,366	17.17%
Transit Use Tax	43,271	74,599	90,671	137,510	46,839	51.66%
Total Transit Receipts	343,441	427,661	646,138	788,343	142,205	22.01%
Affordable Housing Sales Tax	75,042	88,266	138,867	162,708	23,841	17.17%
Affordable Housing Use Tax	10,818	18,650	22,668	34,377	11,710	51.66%
Total Affordable Housing Receipts	85,860	106,915	161,535	197,086	35,551	22.01%
Free State TDD	32,993	23,820	63,082	59,850	(3,232)	-5.12%
Oread TDD	3,593	7,127	8,483	13,746	5,263	62.05%
Oread TIF City Share	3,593	7,127	8,483	13,746	5,263	62.05%
Oread TIF City Share of County	2,047	4,047	4,834	7,806	2,972	61.49%
Total Oread Receipts**	9,232	18,300	21,799	35,297	13,498	61.92%
9th NH South TDD	1,236	2,863	2,912	7,388	4,476	153.72%
9th NH South TIF City Share	1,916	4,437	4,514	11,452	6,938	153.72%
9th NH South TIF City Share of Co	704	1,631	1,659	4,210	2,551	153.72%
Total 9th NH South Receipts	3,856	8,931	9,085	23,050	13,965	153.72%
Total Special Districts	46,081	51,052	93,966	118,197	24,231	25.79%
Total Receipts	\$ 3,788,662	\$ 4,717,713	\$ 7,143,313	\$ 8,720,423	\$ 1,577,110	22.08%

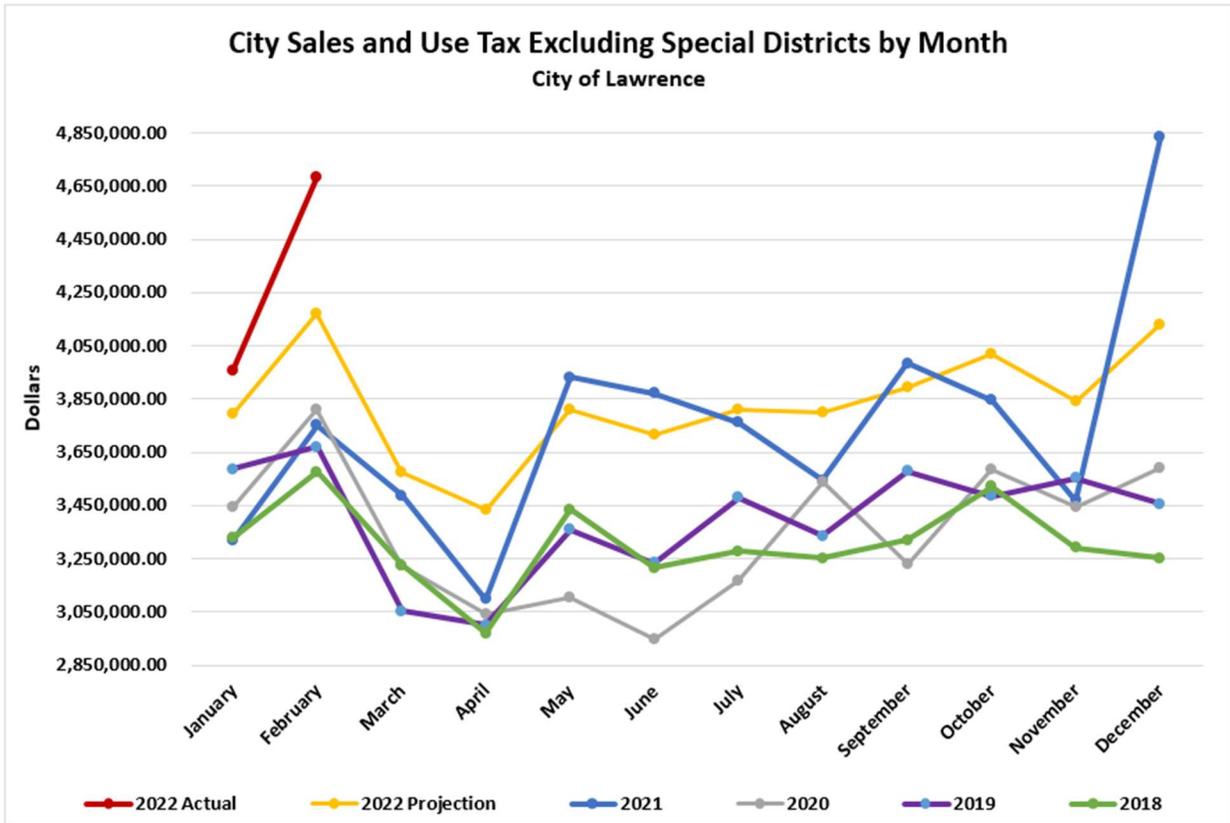
**Oread distributions are currently under review.

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.

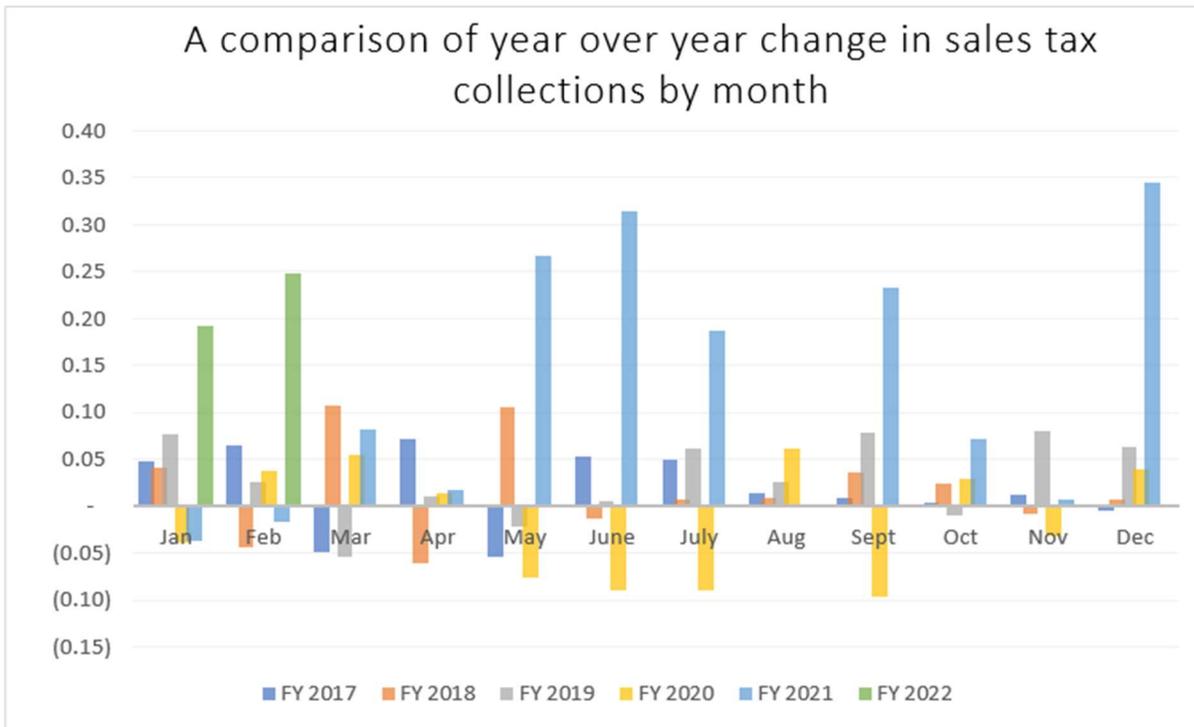
This chart has been modified to include FY's 2018-2021 and our actual results and current projection for FY 2022. As you can see from the chart, our sales and use tax is higher than we projected, by 8.10%.

As the chart illustrates for January:

- FY 2020 collections were \$7.26 million.
- FY 2021 collections were \$7.07 million. 2.58% loss compared with the prior year.
- FY 2022 collections are \$8.64 million. 22.22% growth over the prior year.



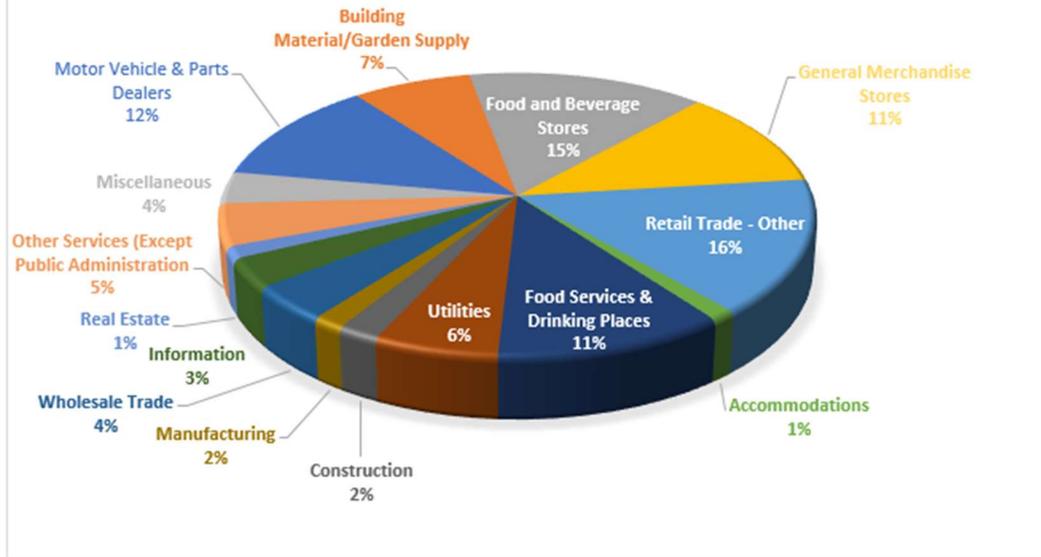
This chart shows month over month change for FY's 2017-2021, and our actual results for FY 2022. The City has had growth in monthly sales tax collection for the past twelve months.



Sales Tax Distribution

Sales within the City are from a wide variety of industries. The largest industrial segment is Retail trade at around 61% of all sales (Noted in the table below in blue).

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

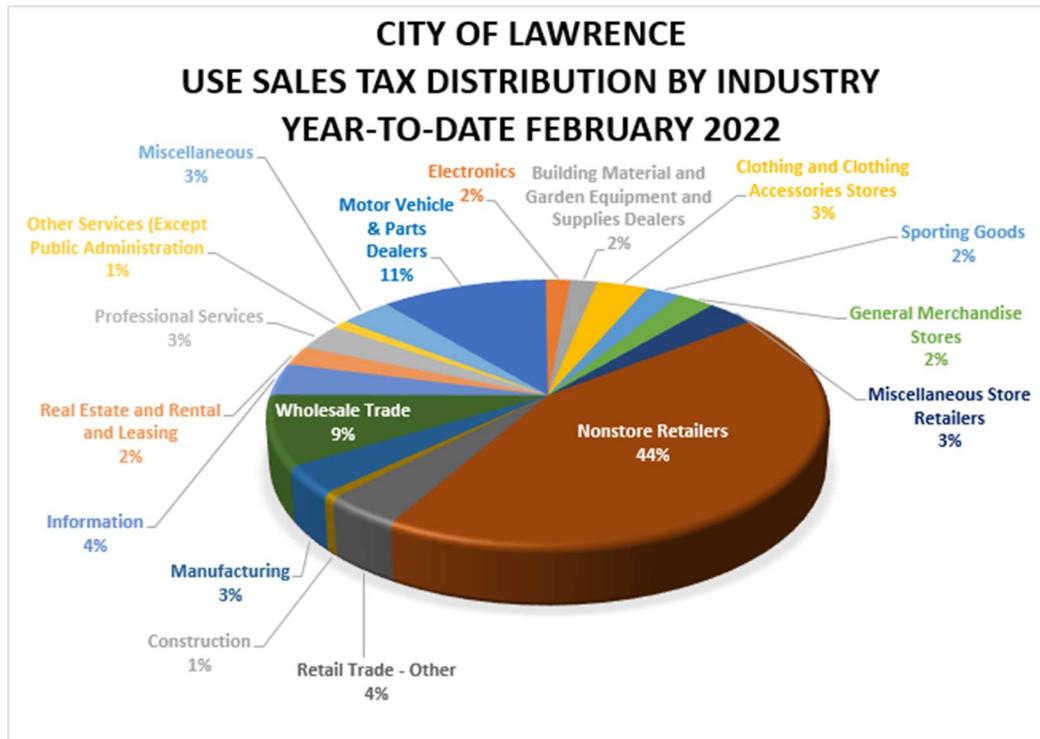


The following table is divided by the North American Industry Classification System (NAICS) sectors to provide some context to the diversity within the City's sales tax system. Retail Trade has been broken out below, so the top four categories are listed separately. The table shows that there was growth in all but one significant categories in Retail Trade compared to last year. There was also growth in eight of the other significant categories. Overall total sales were up by \$746,024 or 17.31% when compared to last year.

NAICS Industry Sector	2021	2022	FY22 vs. FY21	
			Increase (Decrease)	% Change
Motor Vehicle & Parts Dealers	\$ 631,422	\$ 600,779	\$ (30,643)	-4.85%
Building Material/Garden Supply	292,390	372,829	80,439	27.51%
Food and Beverage Stores	729,777	743,851	14,074	1.93%
General Merchandise Stores	514,574	572,843	58,269	11.32%
Retail Trade - Other	647,732	781,775	134,043	20.69%
Accommodations	23,348	60,497	37,149	159.11%
Food Services & Drinking Places	440,687	565,300	124,613	28.28%
Utilities	240,751	305,865	65,114	27.05%
Construction	107,585	103,720	(3,865)	-3.59%
Manufacturing	58,399	76,745	18,346	31.41%
Wholesale Trade	171,315	207,426	36,111	21.08%
Information	134,375	168,682	34,307	25.53%
Real Estate	56,952	68,615	11,664	20.48%
Other Services (Except Public Administration)	123,865	243,364	119,499	96.47%
Miscellaneous	136,211	183,115	46,905	34.44%
Grand Total	\$ 4,309,382	\$ 5,055,406	\$ 746,024	17.31%

Use Tax Distribution

Use taxes within the City are from a wide variety of industries. The largest industrial segment is Retail trade at around 73% 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 categories in Retail Trade when compared to last year. There was also growth in four of the other significant categories when compared to last year. Overall total use taxes were up by \$362,999 or 51.66% when compared to last year.

NAICS Industry Sector	2021	2022	FY22 vs. FY21	
			Increase (Decrease)	% Change
Motor Vehicle & Parts Dealers	\$ 108,335	\$ 116,880	\$ 8,545	7.89%
Electronics	14,484	17,052	2,568	17.73%
Building Material and Garden Equipment	16,593	19,011	2,418	14.57%
Clothing and Clothing Accessories Stores	27,965	35,687	7,723	27.62%
Sporting Goods	17,145	24,185	7,040	41.06%
General Merchandise Stores	24,813	26,101	1,288	5.19%
Miscellaneous Store Retailers	26,525	34,267	7,742	29.19%
Nonstore Retailers	178,874	467,350	288,476	161.27%
Retail Trade - Other	25,667	42,511	16,844	65.62%
Construction	13,477	7,375	(6,102)	-45.28%
Manufacturing	37,299	36,901	(399)	-1.07%
Wholesale Trade	83,307	91,338	8,031	9.64%
Information	29,713	41,309	11,595	39.02%
Real Estate and Rental and Leasing	33,443	24,763	(8,680)	-25.95%
Professional Services	19,518	33,858	14,340	73.47%
Other Services (Except Public Administration)	10,533	10,860	327	3.11%
Miscellaneous	35,008	36,253	1,245	3.56%
Grand Total	\$ 702,701	\$ 1,065,700	\$ 362,999	51.66%

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.

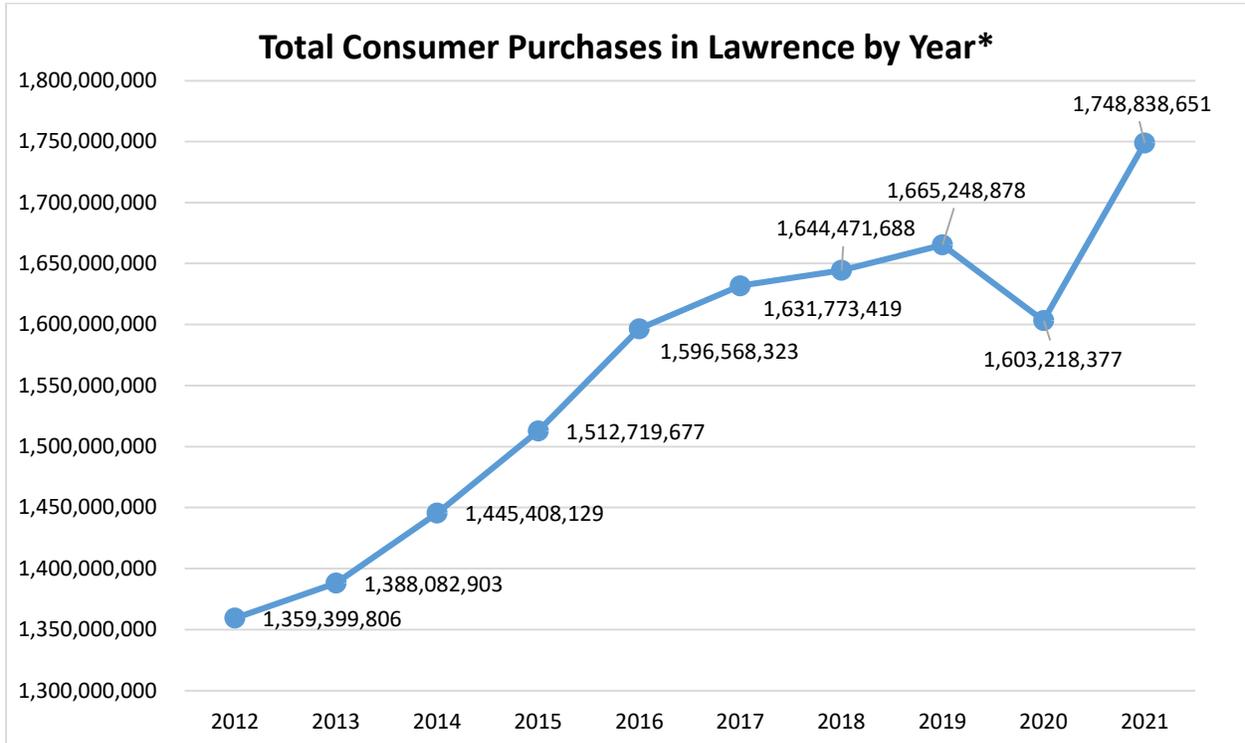
The TDD and TIF districts within the City are used to reimburse a developer for approved improvements. The receipts for the TDD and TIF are receipted into separate funds. Further performance information on the Districts may be found in the City's economic development reports <https://lawrenceks.org/ed/>.

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

JEREMY WILLMOTH
 PO BOX 708
 LAWRENCE, KS 66044

February 22, 2022

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 02/25/2022. The details are as follows:

Detail Description	County	Amount
Feb 2022 Transportation Dev Dist Tax		
Lawrence Transportation	Douglas	23,820.21
Lawrence 2 Transportation	Douglas	7,126.66
Lawrence 9thnh Transport	Douglas	2,862.69
Total for Feb 2022 Transportation Dev Dist Tax:		\$33,809.56
Feb 2022 Compensating Use Tax		
City Tax File	Douglas	578,141.72
City Share From County Tax	Douglas	270,713.62
Total for Feb 2022 Compensating Use Tax:		\$848,855.34
Feb 2022 Sales Tax		
City Tax File	Douglas	2,740,670.28
City Share From County Tax	Douglas	1,094,378.21
Total for Feb 2022 Sales Tax:		\$3,835,048.49
Grand Total Amount:		\$4,717,713.39

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