

# Memorandum

## City of Lawrence

### Finance Department

**TO: Craig S. Owens, City Manager**

**FROM: Jeremy Willmoth, Finance Director**

**DATE: September 30, 2022**

**RE: September 2022 Sales and Use Tax Report**

The City received its September sales and use taxes, along with its share of County sales and use tax, and the special taxing districts distribution, which totaled \$5,054,706. This is predominately from sales that occurred in July 2022. Of this amount, \$3,943,616 was from sales taxes and \$1,054,673 was from use taxes before Tax Increment Financing Districts (TIF) payments were applied. The remaining \$56,418 was from sales and use taxes within the three Transportation Development Districts (TDD).

### September Sales and Use Tax

#### Sales and Use Tax Budget Comparison (excluding special districts)

Sales and use tax for September 2022 compared to budget:

The City's sales taxes experienced a \$439,971 increase (18.64%).

The City's use taxes experienced a \$316,382 increase (77.74%).

The City's portion of the County's general sales and use tax experienced a \$309,749 increase (27.10%).

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

The City's sales taxes experienced a \$1,183,916 increase (5.77%).

The City's use taxes experienced a \$1,048,877 increase (29.67%).

The City's portion of the County's general sales and use tax experienced a \$861,698 increase (8.67%).

Year-to-date total sales and use tax revenues experienced a \$3,094,491 increase (9.10%) compared to the budget.

All Sales Taxes Collected	September Budget	September 2022	2022 Budget	2022 YTD Collected	Increase/ (Decrease)	% Change
Sales Taxes	\$ 2,360,000	\$ 2,799,971	\$ 20,521,000	\$ 21,704,916	\$ 1,183,916	5.77%
Use Taxes	407,000	723,382	3,535,000	4,583,877	1,048,877	29.67%
City portion of County Taxes	1,143,000	1,452,749	9,939,000	10,800,698	861,698	8.67%
All Sales Taxes Collected	\$ 3,910,000	\$ 4,976,102	\$ 33,995,000	\$ 37,089,491	\$ 3,094,491	9.10%
<b>Sales Tax by Category</b>						
City Sales tax	\$ 1,522,000	\$ 1,803,676	\$ 13,236,000	\$ 13,981,996	\$ 745,996	5.64%
City Use tax	265,000	466,698	2,297,000	2,957,340	660,340	28.75%
City Share County Sales Tax	961,000	1,121,459	8,358,000	8,679,526	321,526	3.85%
City Share County Use Tax	182,000	331,291	1,581,000	2,121,172	540,172	34.17%
Total General Fund Receipts	2,930,000	3,723,124	25,472,000	27,740,034	2,268,034	8.90%
Infrastructure Sales Tax	458,000	543,434	3,981,000	4,212,502	231,502	5.82%
Infrastructure Use Tax	77,000	140,009	672,000	887,202	215,202	32.02%
Total Capital Impr. Reserve Receipts	535,000	683,443	4,653,000	5,099,704	446,704	9.60%
Transit Sales Tax	304,000	362,289	2,647,000	2,808,335	161,335	6.10%
Transit Use Tax	53,000	93,340	460,000	591,468	131,468	28.58%
Total Transit Receipts	357,000	455,629	3,107,000	3,399,803	292,803	9.42%
Affordable Housing Sales Tax	76,000	90,572	657,000	702,084	45,084	6.86%
Affordable Housing Use Tax	12,000	23,335	106,000	147,867	41,867	39.50%
Total Affordable Housing Receipts	88,000	113,907	763,000	849,951	86,951	11.40%
Total Receipts*	\$ 3,910,000	\$ 4,976,102	\$ 33,995,000	\$ 37,089,491	\$ 3,094,491	9.10%

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

## Sales and Use Tax Trends Year to date

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

The City's sales taxes experienced a \$398,470 increase (16.49%).

The City's use taxes experienced a \$315,440 increase (77.32%).

The City's portion of the County's general sales and use tax experienced a \$300,603 increase (25.93%).

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

The City's sales taxes experienced a \$1,880,144 increase (9.43%).

The City's use taxes experienced a \$1,351,736 increase (41.82%).

The City's portion of the County's general sales and use tax experienced a \$1,278,336 increase (13.35%).

Year-to-date total sales and use tax revenues (including special districts) experienced a \$4,563,926 increase (13.80%) compared to the prior year.

All Sales Taxes Collected	September 2021	September 2022	2021 YTD Collected	2022 YTD Collected	Increase/ (Decrease)	% Change
Sales Taxes	\$ 2,416,698	\$ 2,815,168	\$ 19,938,139	\$ 21,818,284	\$ 1,880,144	9.43%
Use Taxes	407,942	723,382	3,232,140	4,583,877	1,351,736	41.82%
City portion of County Taxes	1,159,136	1,459,739	9,575,812	10,854,148	1,278,336	13.35%
Special District Taxes	34,328	56,418	314,634	368,344	53,710	17.07%
All Sales Taxes Collected	\$ 4,018,104	\$ 5,054,706	\$ 33,060,725	\$ 37,624,652	\$ 4,563,926	13.80%
<b>Sales Tax by Category</b>						
City Sales tax	\$ 1,550,194	\$ 1,803,676	\$ 12,796,866	\$ 13,981,996	\$ 1,185,130	9.26%
City Use tax	263,188	466,698	2,085,252	2,957,340	872,088	41.82%
City Share County Sales Tax	964,844	1,121,459	8,020,912	8,679,526	658,614	8.21%
City Share County Use Tax	189,267	331,291	1,517,104	2,121,172	604,068	39.82%
Total General Fund Receipts	2,967,494	3,723,124	24,420,134	27,740,034	3,319,900	13.59%
Infrastructure Sales Tax	466,763	543,434	3,852,828	4,212,502	359,674	9.34%
Infrastructure Use Tax	78,956	140,009	625,576	887,202	261,626	41.82%
Total Capital Impr. Reserve Receipts	545,720	683,443	4,478,404	5,099,704	621,300	13.87%
Transit Sales Tax	311,175	362,289	2,568,552	2,808,335	239,783	9.34%
Transit Use Tax	52,638	93,340	417,050	591,468	174,418	41.82%
Total Transit Receipts	363,813	455,629	2,985,603	3,399,803	414,200	13.87%
Affordable Housing Sales Tax	77,794	90,572	642,138	702,084	59,946	9.34%
Affordable Housing Use Tax	13,159	23,335	104,263	147,867	43,604	41.82%
Total Affordable Housing Receipts	90,953	113,907	746,401	849,951	103,550	13.87%
Free State TDD	25,362	43,856	247,895	273,612	25,717	10.37%
Oread TDD	5,683	7,769	45,895	59,678	13,783	30.03%
Oread TIF City Share	5,683	7,769	45,895	59,678	13,783	30.03%
Oread TIF City Share of County	3,244	4,391	26,168	33,836	7,668	29.30%
Total Oread Receipts**	14,609	19,929	117,958	153,191	35,233	29.87%
9th NH South TDD	3,283	4,792	20,843	35,054	14,211	68.18%
9th NH South TIF City Share	5,089	7,428	31,860	53,690	21,829	68.52%
9th NH South TIF City Share of Co	1,780	2,599	11,628	19,614	7,986	68.68%
Total 9th NH South Receipts	10,153	14,819	64,331	108,358	44,026	68.44%
Total Special Districts	50,124	78,604	430,185	535,161	104,976	24.40%
Total Receipts	\$ 4,018,104	\$ 5,054,706	\$ 33,060,725	\$ 37,624,652	\$ 4,563,926	13.80%

\*\*Oread distributions are currently under review.

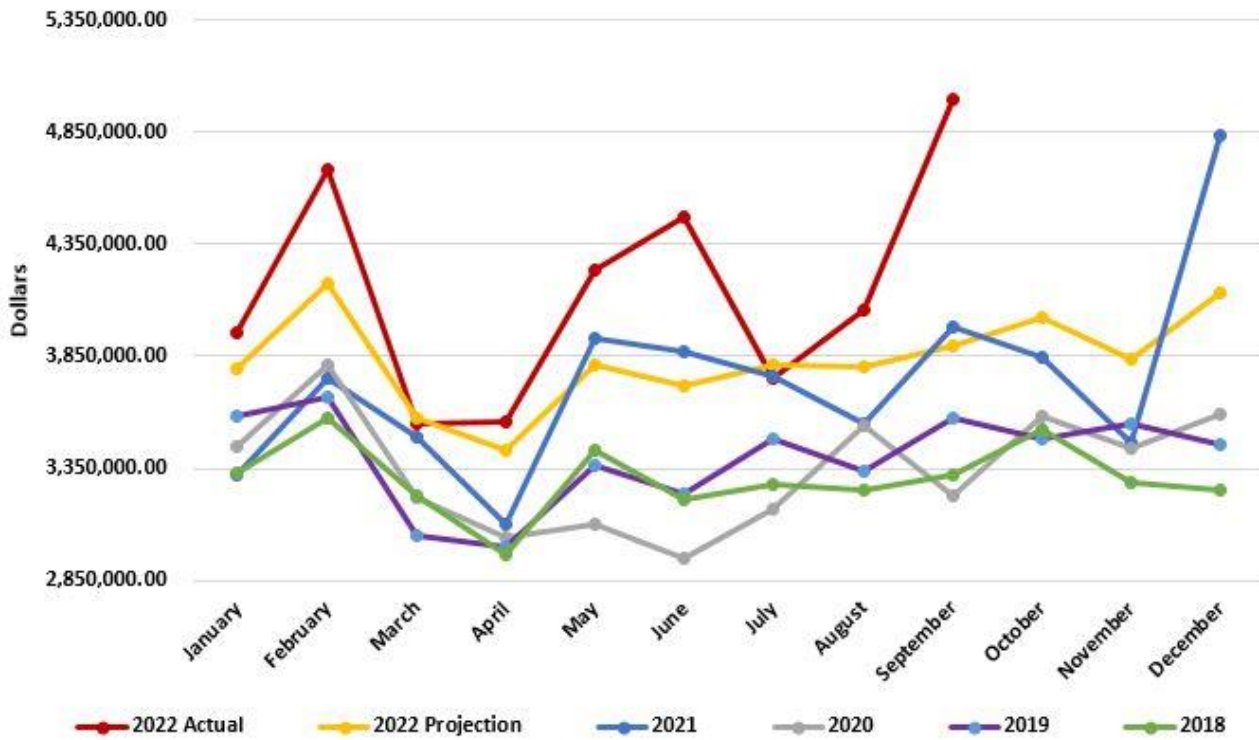
Given the City's reliance on sales tax, and the significant impact that COVID-19 has had on sales in the City, we felt a little deeper analysis of where we are in relation to where we have been, and where we believe we are headed would be beneficial.

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 9.10%.

As the chart illustrates for September:

- FY 2020 collections were \$29.51 million.
- FY 2021 collections were \$32.75 million. 10.96% growth over the prior year.
- FY 2022 collections are \$37.26 million. 13.77% 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. Over the last 19 months, sales tax has increased every month besides July 2022.

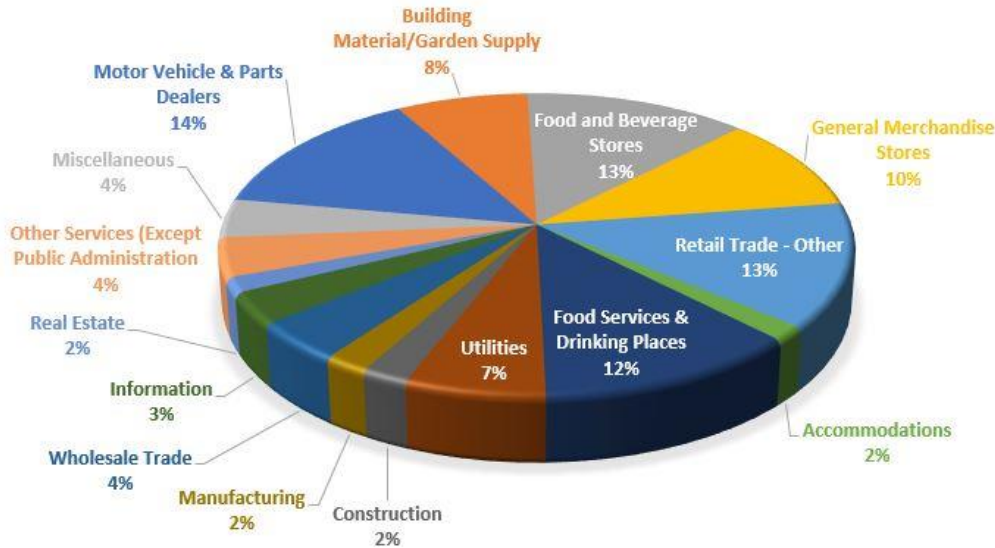
### A comparison of year over year change in sales tax collections by month



## Sales Tax Distribution

Sales within the City are from a wide variety of industries. The largest industrial segment is Retail trade at around 58% of all sales (Noted in the table below in blue).

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

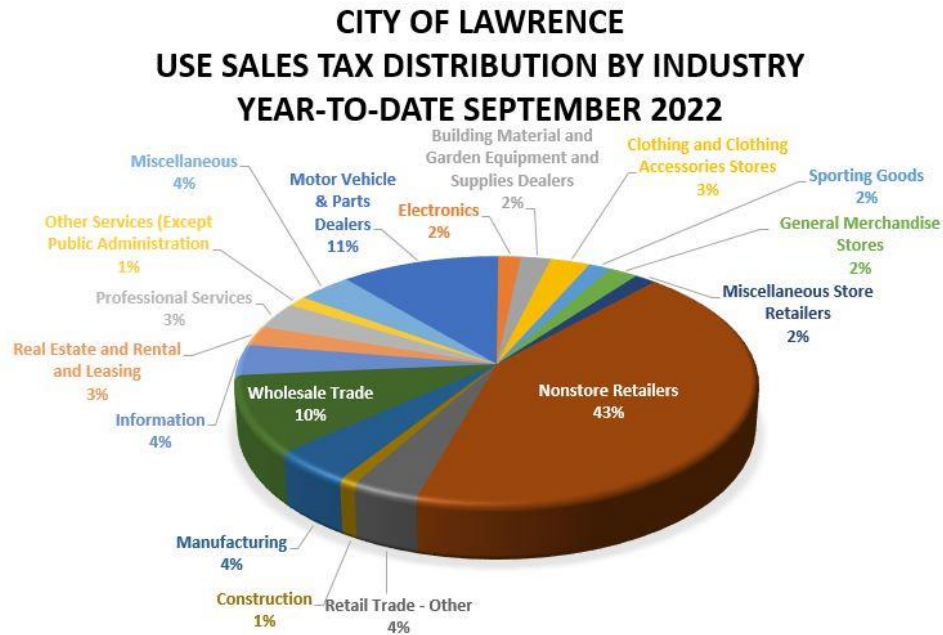


The following table is divided by the North American Industry Classification System (NAICS) sectors to provide some context to the diversity within the City's sales tax system. Retail Trade has been broken out below, so the top four categories are listed separately. The table shows that there was growth 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 \$1,880,144 or 9.43% when compared to last year.

NAICS Industry Sector	2021	2022	FY22 vs. FY21	
			Increase (Decrease)	% Change
Motor Vehicle & Parts Dealers	\$ 3,334,473	\$ 3,061,914	\$ (272,559)	-8.17%
Building Material/Garden Supply	1,629,172	1,668,234	39,062	2.40%
Food and Beverage Stores	2,663,542	2,838,824	175,282	6.58%
General Merchandise Stores	2,121,866	2,221,163	99,297	4.68%
Retail Trade - Other	2,738,033	2,911,535	173,502	6.34%
Accommodations	221,297	340,917	119,620	54.05%
Food Services & Drinking Places	2,331,411	2,626,730	295,319	12.67%
Utilities	1,215,563	1,397,185	181,621	14.94%
Construction	423,195	465,060	41,865	9.89%
Manufacturing	285,976	443,700	157,723	55.15%
Wholesale Trade	827,068	943,348	116,280	14.06%
Information	587,935	733,658	145,723	24.79%
Real Estate	285,325	351,260	65,935	23.11%
Other Services (Except Public Administration)	641,146	910,316	269,170	41.98%
Miscellaneous	632,138	904,440	272,302	43.08%
<b>Grand Total</b>	<b>\$19,938,140</b>	<b>\$21,818,284</b>	<b>\$1,880,144</b>	<b>9.43%</b>

## 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 \$1,351,736 or 41.82% when compared to last year.

NAICS Industry Sector	2021	2022	FY22 vs. FY21	
			Increase (Decrease)	% Change
<b>Motor Vehicle &amp; Parts Dealers</b>	\$ 513,874	\$ 514,792	\$ 917	0.18%
<b>Electronics</b>	54,328	72,179	17,851	32.86%
<b>Building Material and Garden Equipm</b>	73,404	97,284	23,880	32.53%
<b>Clothing and Clothing Accessories Stor</b>	106,441	127,413	20,972	19.70%
<b>Sporting Goods</b>	57,013	73,205	16,192	28.40%
<b>General Merchandise Stores</b>	79,255	92,852	13,598	17.16%
<b>Miscellaneous Store Retailers</b>	126,842	68,899	(57,943)	-45.68%
<b>Nonstore Retailers</b>	987,374	1,956,096	968,721	98.11%
<b>Retail Trade - Other</b>	100,293	170,956	70,663	70.46%
<b>Construction</b>	45,883	43,568	(2,316)	-5.05%
<b>Manufacturing</b>	153,605	202,679	49,074	31.95%
<b>Wholesale Trade</b>	364,685	462,317	97,633	26.77%
<b>Information</b>	139,374	183,864	44,490	31.92%
<b>Real Estate and Rental and Leasing</b>	118,293	118,318	25	0.02%
<b>Professional Services</b>	106,974	159,425	52,451	49.03%
<b>Other Services (Except Public Administr</b>	49,828	63,173	13,345	26.78%
<b>Miscellaneous</b>	154,675	176,858	22,183	14.34%
<b>Grand Total</b>	\$3,232,140	\$4,583,877	\$1,351,736	41.82%



STATE OF KANSAS  
**Lynn W. Rogers**  
 TREASURER

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

TELEPHONE  
 (785) 296-4153

**RYLIE BERTELS**  
 P O BOX 708  
 LAWRENCE, KS 66044-0708

**September 29, 2022**

Dear Ms. Bertels,

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 09/30/2022. The details are as follows:

Detail Description	County	Amount
<b>Sep 2022 Compensating Use Tax</b>		
City Tax File	Douglas	723,381.80
City Share From County Tax	Douglas	331,290.86
<b>Total for Sep 2022 Compensating Use Tax:</b>		<b>\$1,054,672.66</b>
<b>Sep 2022 Sales Tax</b>		
City Tax File	Douglas	2,815,168.24
City Share From County Tax	Douglas	1,128,448.00
<b>Total for Sep 2022 Sales Tax:</b>		<b>\$3,943,616.24</b>
<b>Sep 2022 Transportation Dev Dist Tax</b>		
Lawrence Transportation	Douglas	43,856.30
Lawrence 2 Transportation	Douglas	7,768.95
Lawrence 9thnh Transport	Douglas	4,792.31
<b>Total for Sep 2022 Transportation Dev Dist Tax:</b>		<b>\$56,417.56</b>
<b>Grand Total Amount:</b>		<b>\$5,054,706.46</b>

Additional information can be found at [https://kansasstatetreasurer.com/dist\\_search.php](https://kansasstatetreasurer.com/dist_search.php) or contact our office at 785-296-4153 or [fiscal@treasurer.ks.gov](mailto:fiscal@treasurer.ks.gov).

Sincerely,

Shauna Wake  
 Director Of Fiscal Services

# 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.

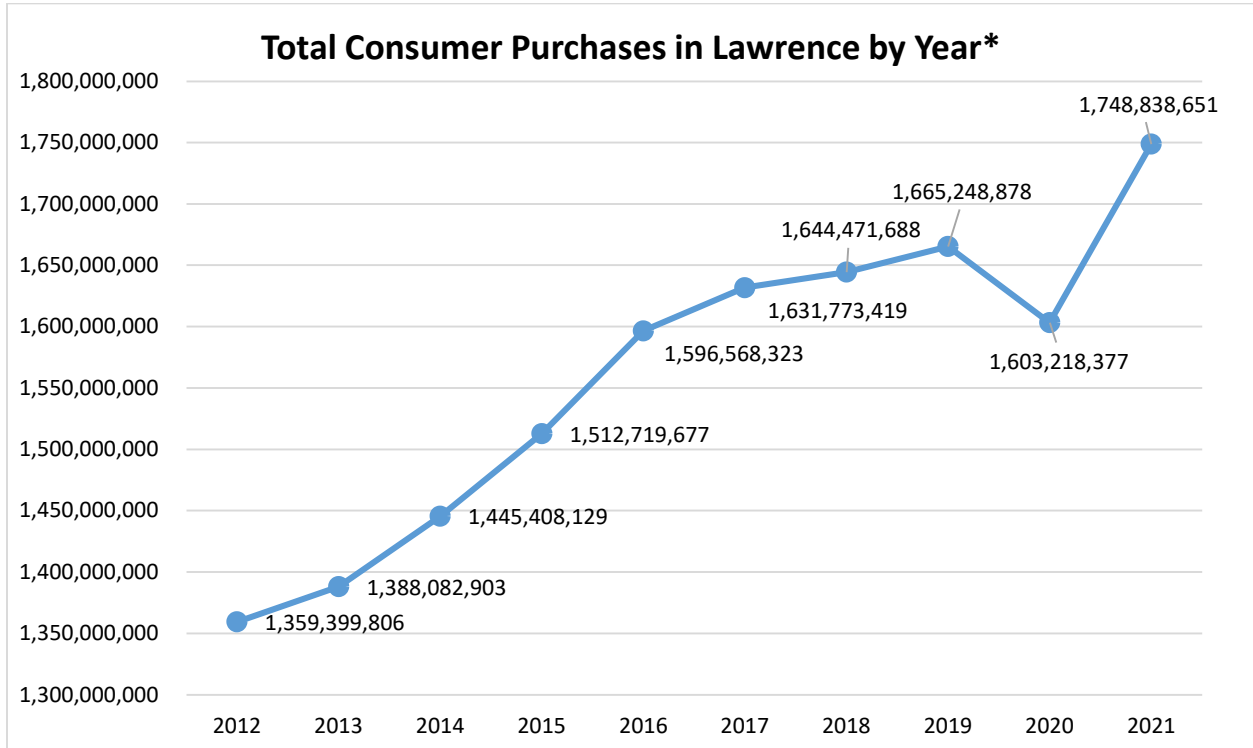
The TDD and TIF districts within the City are used to reimburse a developer for approved improvements. The receipts for the TDD and TIF are receipted into separate funds. Further performance information on the Districts may be found in the City's economic development reports <https://lawrenceks.org/ed/>.

#### **Sales and Use Tax Cycle**

Retailers collect sales tax at the time of sale. Retailers remit sales tax collections to the State on the 25<sup>th</sup> day of the month after collection. Smaller retailers may remit sales taxes quarterly on the 25<sup>th</sup> 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**