

Memorandum

City of Lawrence

Finance Department

TO: Craig S. Owens, City Manager

FROM: Jeremy Willmoth, Finance Director

DATE: March 1, 2023

RE: February 2023 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 \$5,127,621. This is predominately from sales that occurred in December 2022. Of this amount, \$4,100,689 was from sales taxes and \$973,459 was from use taxes before Tax Increment Financing Districts (TIF) payments were applied. The remaining \$53,473 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 2023 compared to budget:

The City's sales taxes experienced a \$391,367 increase (15.49%).

The City's use taxes experienced a \$231,819 increase (53.29%).

The City's portion of the County's general sales and use tax experienced a \$250,048 increase (20.43%).

Sales and use tax for Jan. – February 2023 compared to budget:

The City's sales taxes experienced a \$521,783 increase (10.86%).

The City's use taxes experienced a \$401,526 increase (48.55%).

The City's portion of the County's general sales and use tax experienced a \$359,700 increase (15.46%).

Year-to-date total sales and use tax revenues experienced a \$1,283,010 increase (16.12%) compared to the budget.

All Sales Taxes Collected	February Budget	February 2023	2023 Budget	2023 YTD Collected	Increase/ (Decrease)	% Change
Sales Taxes	\$ 2,527,000	\$ 2,918,367	\$ 4,804,000	\$ 5,325,783	\$ 521,783	10.86%
Use Taxes	435,000	666,819	827,000	1,228,526	401,526	48.55%
City portion of County Taxes	1,224,000	1,474,048	2,327,000	2,686,700	359,700	15.46%
All Sales Taxes Collected	\$ 4,186,000	\$ 5,059,235	\$ 7,958,000	\$ 9,241,010	\$ 1,283,010	16.12%
Sales Tax by Category						
City Sales tax	\$ 1,630,000	\$ 1,880,942	\$ 3,098,000	\$ 3,432,155	\$ 334,155	10.79%
City Use tax	282,000	430,206	537,000	792,597	255,597	47.60%
City Share County Sales Tax	1,029,000	1,167,409	1,957,000	2,125,898	168,898	8.63%
City Share County Use Tax	195,000	306,639	370,000	560,803	190,803	51.57%
Total General Fund Receipts	3,136,000	3,785,197	5,962,000	6,911,453	949,453	15.93%
Infrastructure Sales Tax	490,000	565,868	932,000	1,032,888	100,888	10.82%
Infrastructure Use Tax	83,000	129,062	157,000	237,779	80,779	51.45%
Total Capital Impr. Reserve Receipts	573,000	694,930	1,089,000	1,270,667	181,667	16.68%
Transit Sales Tax	326,000	377,245	620,000	688,592	68,592	11.06%
Transit Use Tax	57,000	86,041	108,000	158,519	50,519	46.78%
Total Transit Receipts	383,000	463,287	728,000	847,111	119,111	16.36%
Affordable Housing Sales Tax	81,000	94,311	154,000	172,148	18,148	11.78%
Affordable Housing Use Tax	13,000	21,510	25,000	39,630	14,630	58.52%
Total Affordable Housing Receipts	94,000	115,822	179,000	211,778	32,778	18.31%
Total Receipts*	\$ 4,186,000	\$ 5,059,235	\$ 7,958,000	\$ 9,241,010	\$ 1,283,010	16.12%

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

Sales and Use Tax Trends Year to date

Sales and use tax for February 2023 compared to prior year:

The City's sales taxes experienced a \$187,831 increase (6.85%).

The City's use taxes experienced a \$88,678 increase (15.34%).

The City's portion of the County's general sales and use tax experienced a \$113,736 increase (8.33%).

Sales and use tax for Jan. - February 2023 compared to prior year:

The City's sales taxes experienced a \$292,064 increase (5.78%).

The City's use taxes experienced a \$162,826 increase (15.28%).

The City's portion of the County's general sales and use tax experienced a \$178,495 increase (7.09%).

Year-to-date total sales and use tax revenues (including special districts) experienced a \$649,225 increase (7.44%) compared to the prior year.

All Sales Taxes Collected	February 2022	February 2023	2022 YTD Collected	2023 YTD Collected	Increase/ (Decrease)	% Change
Sales Taxes	\$ 2,740,670	\$ 2,928,501	\$ 5,055,406	\$ 5,347,470	\$ 292,064	5.78%
Use Taxes	578,142	666,819	1,065,700	1,228,526	162,826	15.28%
City portion of County Taxes	1,365,092	1,478,828	2,518,332	2,696,827	178,495	7.09%
Special District Taxes	33,810	53,473	80,984	96,825	15,841	19.56%
All Sales Taxes Collected	\$ 4,717,713	\$ 5,127,621	\$ 8,720,423	\$ 9,369,648	\$ 649,225	7.44%
Sales Tax by Category						
City Sales tax	\$ 1,758,185	\$ 1,880,942	\$ 3,240,418	\$ 3,432,155	\$ 191,737	5.92%
City Use tax	372,995	430,206	687,549	792,597	105,049	15.28%
City Share County Sales Tax	1,088,700	1,167,409	2,008,111	2,125,898	117,787	5.87%
City Share County Use Tax	270,714	306,639	498,206	560,803	62,597	12.56%
Total General Fund Receipts	3,490,593	3,785,197	6,434,284	6,911,453	477,170	7.42%
Infrastructure Sales Tax	529,594	565,868	976,249	1,032,888	56,639	5.80%
Infrastructure Use Tax	111,898	129,062	206,265	237,779	31,515	15.28%
Total Capital Impr. Reserve Receipts	641,492	694,930	1,182,514	1,270,667	88,153	7.45%
Transit Sales Tax	353,062	377,245	650,833	688,592	37,759	5.80%
Transit Use Tax	74,599	86,041	137,510	158,519	21,010	15.28%
Total Transit Receipts	427,661	463,287	788,343	847,111	58,769	7.45%
Affordable Housing Sales Tax	88,266	94,311	162,708	172,148	9,440	5.80%
Affordable Housing Use Tax	18,650	21,510	34,377	39,630	5,252	15.28%
Total Affordable Housing Receipts	106,915	115,822	197,086	211,778	14,692	7.45%
Free State TDD	23,820	45,060	59,850	79,000	19,149	32.00%
Oread TDD	7,127	5,285	13,746	10,805	(2,941)	-21.40%
Oread TIF City Share	7,127	5,285	13,746	10,805	(2,941)	-21.40%
Oread TIF City Share of County	4,047	2,996	7,806	6,126	(1,680)	-21.52%
Total Oread Receipts**	18,300	13,566	35,297	27,735	(7,562)	-21.42%
9th NH South TDD	2,863	3,129	7,388	7,021	(368)	-4.98%
9th NH South TIF City Share	4,437	4,850	11,452	10,882	(570)	-4.98%
9th NH South TIF City Share of Co	1,631	1,783	4,210	4,001	(209)	-4.98%
Total 9th NH South Receipts	8,931	9,761	23,050	21,903	(1,147)	-4.98%
Total Special Districts	51,052	68,387	118,197	128,638	10,441	8.83%
Total Receipts	\$ 4,717,713	\$ 5,127,621	\$ 8,720,423	\$ 9,369,648	\$ 649,225	7.44%

**Oread distributions are currently under review.

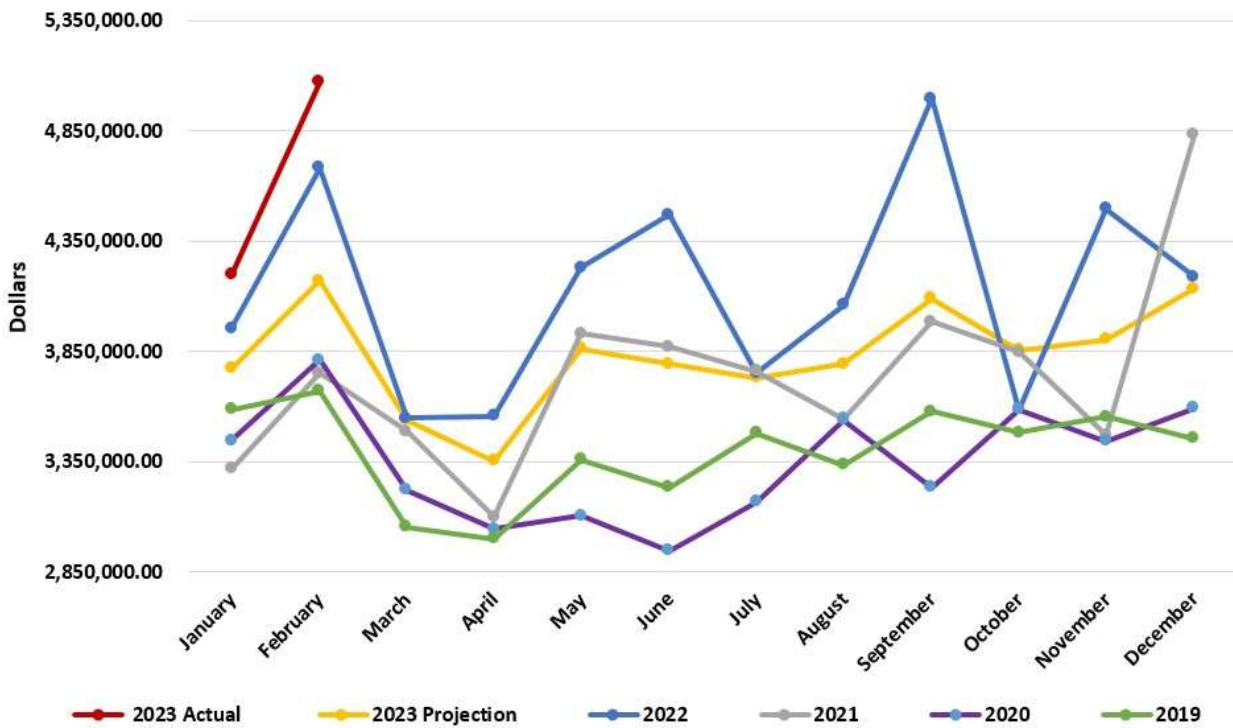
Given the City's reliance on sales tax, and the significant impact that COVID-19 has had on sales in the City, we felt a little deeper analysis of where we are in relation to where we have been, and where we believe we are headed would be beneficial.

This chart has been modified to include FY's 2019-2022 and our actual results and current projection for FY 2023. As you can see from the chart, our sales and use tax is higher than we projected, by 16.12%.

As the chart illustrates for January:

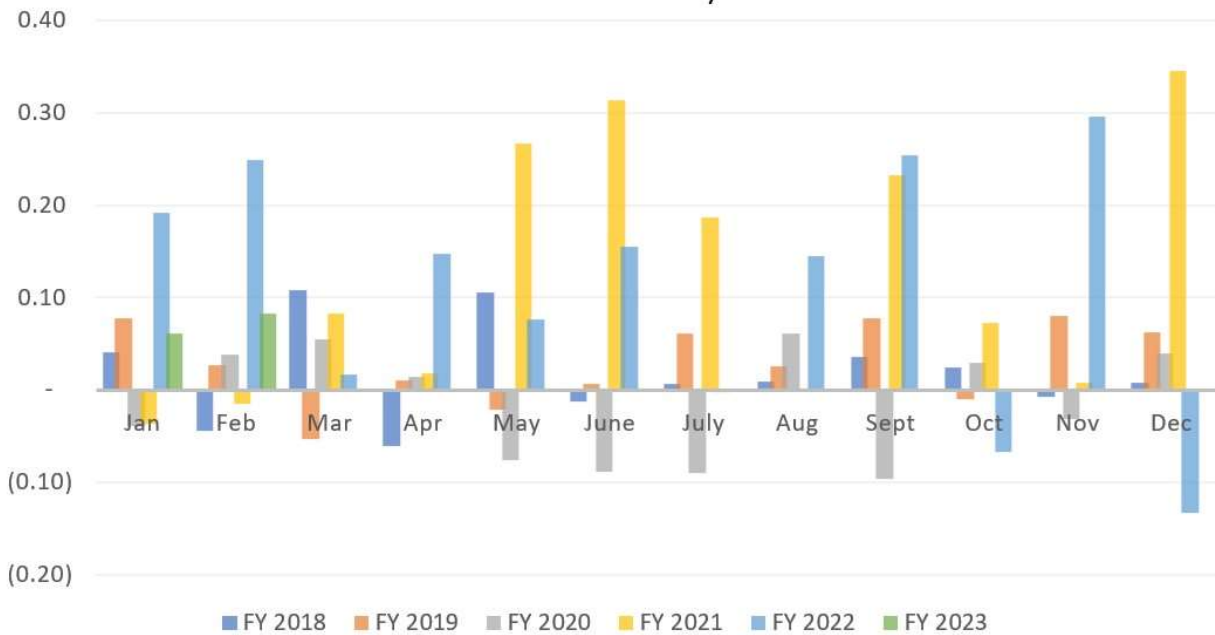
- FY 2021 collections were \$7.07 million.
- FY 2022 collections were \$8.64 million. 22.22% growth over the prior year.
- FY 2023 collections are \$9.27 million. 7.33% growth over the prior year.

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



This chart shows month over month change for FY's 2018-2022, and our actual results for FY 2023.

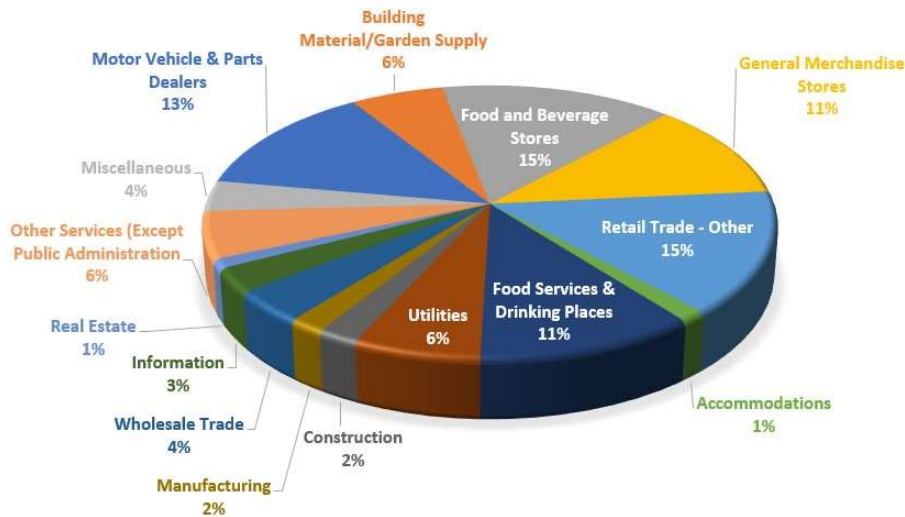
A comparison of year over year change in sales tax collections by month



Sales Tax Distribution

Sales within the City are from a wide variety of industries. The largest industrial segment is Retail trade at around 60% of all sales (Noted in the table below in blue).

CITY OF LAWRENCE RETAIL SALES TAX DISTRIBUTION BY INDUSTRY YEAR-TO-DATE FEBRUARY 2023



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 seven of the other significant categories. Overall total sales were up by \$292,064 or 5.78% when compared to last year.

NAICS Industry Sector	2022	2023	FY23 vs. FY22	
			Increase (Decrease)	% Change
Motor Vehicle & Parts Dealers	\$ 600,779	\$ 704,699	\$ 103,920	17.30%
Building Material/Garden Supply	372,829	320,313	(52,517)	-14.09%
Food and Beverage Stores	743,851	803,821	59,970	8.06%
General Merchandise Stores	572,843	615,796	42,953	7.50%
Retail Trade - Other	781,775	780,987	(789)	-0.10%
Accommodations	60,497	69,936	9,439	15.60%
Food Services & Drinking Places	565,300	591,827	26,528	4.69%
Utilities	305,865	342,600	36,735	12.01%
Construction	103,720	110,782	7,062	6.81%
Manufacturing	76,745	96,290	19,546	25.47%
Wholesale Trade	207,427	207,427	-	0.00%
Information	168,682	153,562	(15,121)	-8.96%
Real Estate	68,615	58,133	(10,483)	-15.28%
Other Services (Except Public Administr	243,364	297,486	54,123	22.24%
Miscellaneous	183,115	193,811	10,696	5.84%
Grand Total	\$ 5,055,406	\$ 5,347,470	\$ 292,064	5.78%

Use Tax Distribution

Use taxes within the City are from a wide variety of industries. The largest industrial segment is Retail trade at around 67% of all use taxes (Noted in the table below in blue).

CITY OF LAWRENCE USE SALES TAX DISTRIBUTION BY INDUSTRY YEAR-TO-DATE FEBRUARY 2023



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 four category in Retail Trade when compared to last year. There was also growth in seven of the other significant categories when compared to last year. Overall total use taxes were up by 162,826 or 15.28% when compared to last year.

NAICS Industry Sector	2022	2023	FY23 vs. FY22	
			Increase (Decrease)	% Change
Motor Vehicle & Parts Dealers	\$ 116,880	\$ 116,176	\$ (705)	-0.60%
Electronics	17,052	14,094	(2,957)	-17.34%
Building Material and Garden Equipment and Supplies Dealers	18,736	21,796	3,060	16.34%
Clothing and Clothing Accessories Store	35,687	40,940	5,253	14.72%
Sporting Goods	24,185	20,999	(3,185)	-13.17%
General Merchandise Stores	26,101	25,721	(380)	-1.45%
Miscellaneous Store Retailers	34,498	40,108	5,610	16.26%
Nonstore Retailers	467,119	501,624	34,505	7.39%
Retail Trade - Other	42,511	35,640	(6,871)	-16.16%
Construction	7,375	6,327	(1,048)	-14.21%
Manufacturing	37,177	49,991	12,815	34.47%
Wholesale Trade	91,353	172,573	81,220	88.91%
Information	41,309	60,949	19,640	47.54%
Real Estate and Rental and Leasing	24,763	24,971	208	0.84%
Professional Services	33,859	46,020	12,161	35.92%
Other Services (Except Public Administr	10,844	13,304	2,460	22.69%
Miscellaneous	36,253	37,292	1,039	2.87%
Grand Total	\$ 1,065,700	\$ 1,228,526	\$ 162,826	15.28%

Memorandum

City of Lawrence

Finance Department

TO: Craig S. Owens, City Manager

FROM: Jeremy Willmoth, Finance Director

DATE: January 26, 2023

RE: General Information for Sales and Use Taxes

This memo is to assist the 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.

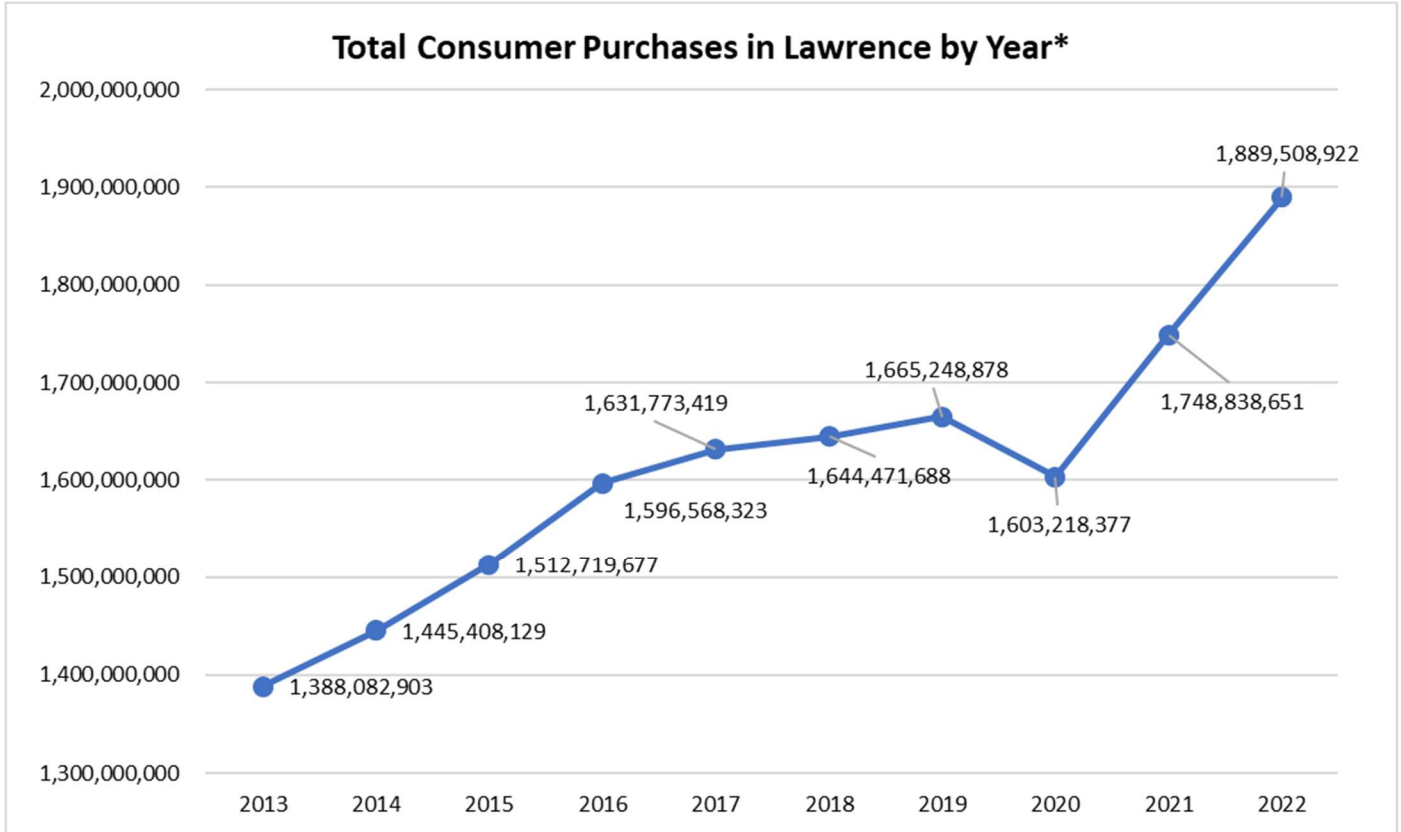
The TDD and TIF districts within the City are used to reimburse a developer for approved improvements. The receipts for the TDD and TIF are receipted into separate funds. Further performance information on the Districts may be found in the City's economic development reports <https://lawrenceks.org/ed/>.

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**



900 SW Jackson, Suite 201
Topeka, KS 66612-1235
(785) 296-3171

KansasCash.ks.gov

Fiscal Services Division

JEREMY WILLMOTH
PO BOX 708
LAWRENCE, KS 66044

February 23, 2023

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 02/28/2023. The details are as follows:

Detail Description	County	Amount
Feb 2023 Compensating Use Tax		
City Tax File	Douglas	666,819.49
City Share From County Tax	Douglas	306,639.35
Total for Feb 2023 Compensating Use Tax:		\$973,458.84
Feb 2023 Sales Tax		
City Tax File	Douglas	2,928,501.13
City Share From County Tax	Douglas	1,172,188.21
Total for Feb 2023 Sales Tax:		\$4,100,689.34
Feb 2023 Transportation Dev Dist Tax		
Lawrence Transportation	Douglas	45,059.65
Lawrence 2 Transportation	Douglas	5,284.63
Lawrence 9thnh Transport	Douglas	3,128.82
Total for Feb 2023 Transportation Dev Dist Tax:		\$53,473.10
Grand Total Amount:		\$5,127,621.28

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