

Memorandum

City of Lawrence

Finance Department

TO: Craig S. Owens, City Manager

FROM: Jeremy Willmoth, Finance Director

DATE: February 1, 2023

RE: January 2023 Sales and Use Tax Report

The City received its January sales and use taxes, along with its share of County sales and use tax, and the special taxing districts distribution, which totaled \$4,242,026. This is predominately from sales that occurred in November 2023. Of this amount, \$3,382,805 was from sales taxes and \$815,870 was from use taxes before Tax Increment Financing Districts (TIF) payments were applied. The remaining \$43,352 was from sales and use taxes within the three Transportation Development Districts (TDD).

January Sales and Use Tax

Sales and Use Tax Budget Comparison (excluding special districts)

Sales and use tax for January 2023 compared to budget:
 The City’s sales taxes experienced a \$130,416 increase (5.73%).
 The City’s use taxes experienced a \$169,707 increase (43.29%).
 The City’s portion of the County’s general sales and use tax experienced a \$109,652 increase (9.94%).

All Sales Taxes Collected	January Budget	January 2023	2023 Budget	2023 YTD Collected	Increase/ (Decrease)	% Change
Sales Taxes	\$ 2,277,000	\$ 2,407,416	\$ 2,277,000	\$ 2,407,416	\$ 130,416	5.73%
Use Taxes	392,000	561,707	392,000	561,707	169,707	43.29%
City portion of County Taxes	1,103,000	1,212,652	1,103,000	1,212,652	109,652	9.94%
All Sales Taxes Collected	\$ 3,772,000	\$ 4,181,775	\$ 3,772,000	\$ 4,181,775	\$ 409,775	10.86%
Sales Tax by Category						
City Sales tax	\$ 1,468,000	\$ 1,551,213	\$ 1,468,000	\$ 1,551,213	\$ 83,213	5.67%
City Use tax	255,000	362,391	255,000	362,391	107,391	42.11%
City Share County Sales Tax	928,000	958,489	928,000	958,489	30,489	3.29%
City Share County Use Tax	175,000	254,163	175,000	254,163	79,163	45.24%
Total General Fund Receipts	2,826,000	3,126,256	2,826,000	3,126,256	300,256	10.62%
Infrastructure Sales Tax	442,000	467,020	442,000	467,020	25,020	5.66%
Infrastructure Use Tax	74,000	108,717	74,000	108,717	34,717	46.92%
Total Capital Impr. Reserve Receipts	516,000	575,737	516,000	575,737	59,737	11.58%
Transit Sales Tax	294,000	311,347	294,000	311,347	17,347	5.90%
Transit Use Tax	51,000	72,478	51,000	72,478	21,478	42.11%
Total Transit Receipts	345,000	383,825	345,000	383,825	38,825	11.25%
Affordable Housing Sales Tax	73,000	77,837	73,000	77,837	4,837	6.63%
Affordable Housing Use Tax	12,000	18,120	12,000	18,120	6,120	51.00%
Total Affordable Housing Receipts	85,000	95,956	85,000	95,956	10,956	12.89%
Total Receipts*	\$ 3,772,000	\$ 4,181,775	\$ 3,772,000	\$ 4,181,775	\$ 409,775	10.86%

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

Sales and Use Tax Trends Year to date

Sales and use tax for January 2023 compared to prior year:
 The City’s sales taxes experienced a \$104,233 increase (4.50%).
 The City’s use taxes experienced a \$74,148 increase (15.21%).

The City's portion of the County's general sales and use tax experienced a \$64,759 increase (5.62%).

Year-to-date total sales and use tax revenues (including special districts) experienced a \$239,317 increase (5.98%) compared to the prior year.

All Sales Taxes Collected	January 2022	January 2023	2022 YTD Collected	2023 YTD Collected	Increase/ (Decrease)	% Change
Sales Taxes	\$ 2,314,736	\$ 2,418,969	\$ 2,314,736	\$ 2,418,969	\$ 104,233	4.50%
Use Taxes	487,559	561,707	487,559	561,707	74,148	15.21%
City portion of County Taxes	1,153,240	1,217,999	1,153,240	1,217,999	64,759	5.62%
Special District Taxes	47,175	43,352	47,175	43,352	(3,823)	-8.10%
All Sales Taxes Collected	\$ 4,002,709	\$ 4,242,026	\$ 4,002,709	\$ 4,242,026	\$ 239,317	5.98%
Sales Tax by Category						
City Sales tax	\$ 1,482,233	\$ 1,551,213	\$ 1,482,233	\$ 1,551,213	\$ 68,980	4.65%
City Use tax	314,554	362,391	314,554	362,391	47,837	15.21%
City Share County Sales Tax	919,411	958,489	919,411	958,489	39,078	4.25%
City Share County Use Tax	227,492	254,163	227,492	254,163	26,671	11.72%
Total General Fund Receipts	2,943,690	3,126,256	2,943,690	3,126,256	182,566	6.20%
Infrastructure Sales Tax	446,656	467,020	446,656	467,020	20,364	4.56%
Infrastructure Use Tax	94,366	108,717	94,366	108,717	14,351	15.21%
Total Capital Impr. Reserve Receipts	541,022	575,737	541,022	575,737	34,715	6.42%
Transit Sales Tax	297,770	311,347	297,770	311,347	13,576	4.56%
Transit Use Tax	62,911	72,478	62,911	72,478	9,567	15.21%
Total Transit Receipts	360,681	383,825	360,681	383,825	23,144	6.42%
Affordable Housing Sales Tax	74,443	77,837	74,443	77,837	3,394	4.56%
Affordable Housing Use Tax	15,728	18,120	15,728	18,120	2,392	15.21%
Total Affordable Housing Receipts	90,170	95,956	90,170	95,956	5,786	6.42%
Free State TDD	36,030	33,940	36,030	33,940	(2,090)	-5.80%
Oread TDD	6,619	5,520	6,619	5,520	(1,099)	-16.60%
Oread TIF City Share	6,619	5,520	6,619	5,520	(1,099)	-16.60%
Oread TIF City Share of County	3,759	3,130	3,759	3,130	(629)	-16.73%
Total Oread Receipts**	16,997	14,170	16,997	14,170	(2,827)	-16.63%
9th NH South TDD	4,526	3,892	4,526	3,892	(634)	-14.00%
9th NH South TIF City Share	7,015	6,032	7,015	6,032	(982)	-14.00%
9th NH South TIF City Share of Co	2,579	2,218	2,579	2,218	(361)	-14.00%
Total 9th NH South Receipts	14,119	12,142	14,119	12,142	(1,977)	-14.00%
Total Special Districts	67,146	60,252	67,146	60,252	(6,894)	-10.27%
Total Receipts	\$ 4,002,709	\$ 4,242,026	\$ 4,002,709	\$ 4,242,026	\$ 239,317	5.98%

**Oread distributions are currently under review.

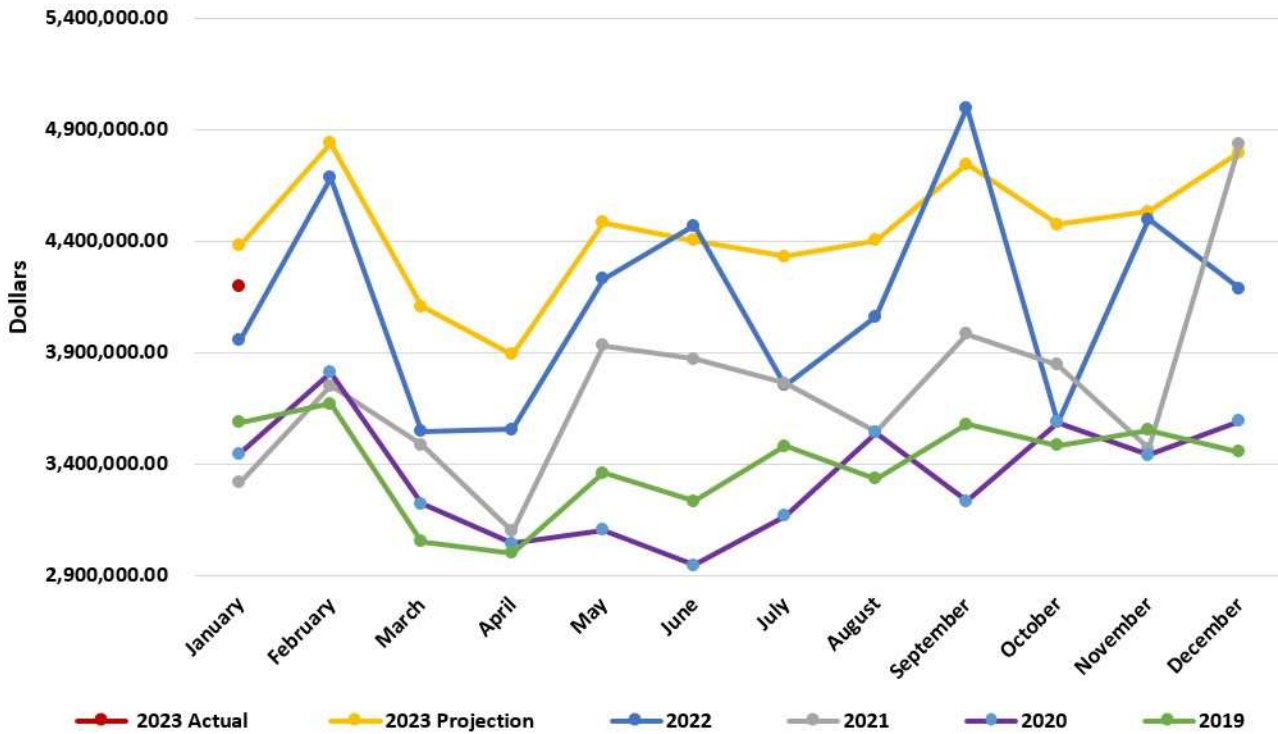
Given the City's reliance on sales tax, and the significant impact that COVID-19 has had on sales in the City, we felt a little deeper analysis of where we are in relation to where we have been, and where we believe we are headed would be beneficial.

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 lower than we projected, by 0.4%.

As the chart illustrates for January:

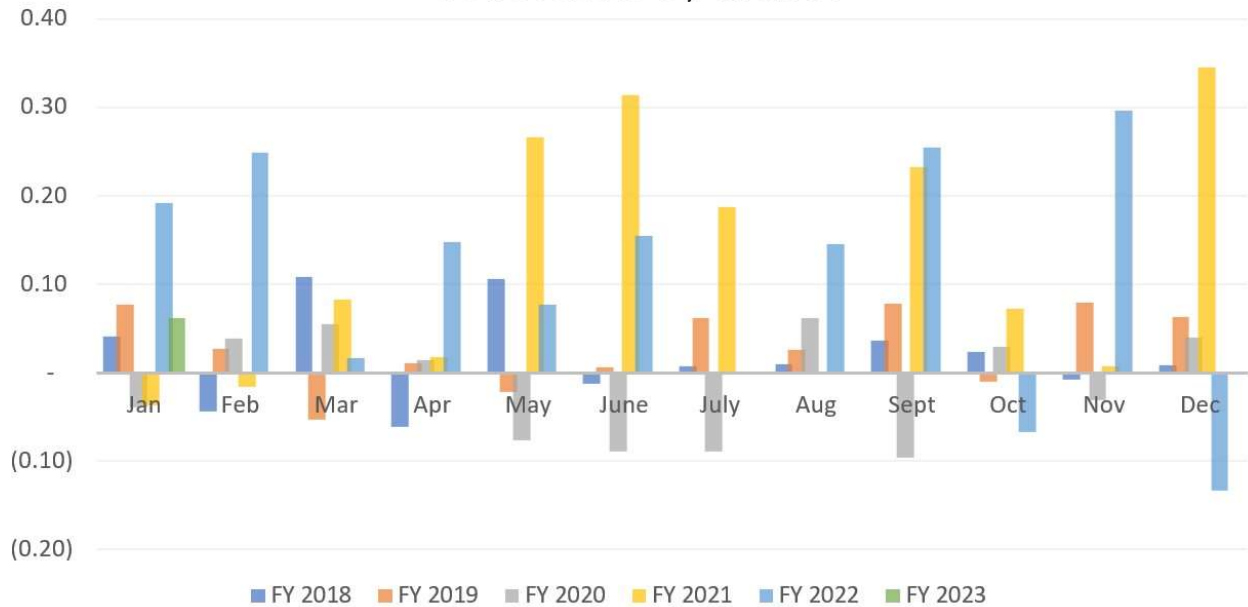
- FY 2021 collections were \$3.32 million.
- FY 2022 collections were \$3.96 million. 19.21% growth over the prior year.
- FY 2023 collections are \$4.2 million. 6.15% growth over the prior year.

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 59% of all sales (Noted in the table below in blue).

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

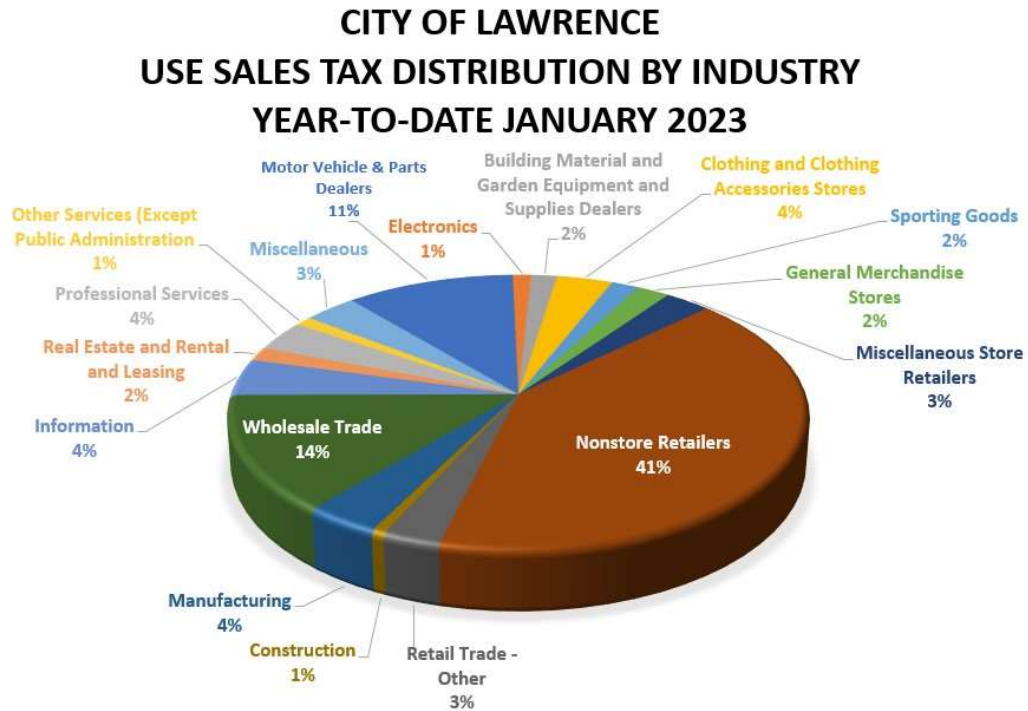


The following table is divided by the North American Industry Classification System (NAICS) sectors to provide some context to the diversity within the City's sales tax system. Retail Trade has been broken out below, so the top four categories are listed separately. The table shows that there was growth in all but one significant categories in Retail Trade compared to last year. There was also growth in six of the other significant categories. Overall total sales were up by \$104,233 or 4.5% when compared to last year.

NAICS Industry Sector	2022	2023	FY23 vs. FY22	
			Increase (Decrease)	% Change
Motor Vehicle & Parts Dealers	\$ 319,739	\$ 337,158	\$ 17,419	5.45%
Building Material/Garden Supply	194,325	165,967	(28,357)	-14.59%
Food and Beverage Stores	298,173	308,962	10,789	3.62%
General Merchandise Stores	254,613	271,175	16,562	6.50%
Retail Trade - Other	332,460	343,918	11,459	3.45%
Accommodations	35,056	39,699	4,643	13.24%
Food Services & Drinking Places	296,906	269,612	(27,294)	-9.19%
Utilities	107,245	141,625	34,380	32.06%
Construction	44,200	47,743	3,543	8.02%
Manufacturing	39,860	50,443	10,582	26.55%
Wholesale Trade	96,129	105,150	9,021	9.38%
Information	79,730	71,739	(7,991)	-10.02%
Real Estate	34,319	27,604	(6,715)	-19.57%
Other Services (Except Public Administr	90,994	150,043	59,049	64.89%
Miscellaneous	90,987	88,130	(2,857)	-3.14%
Grand Total	\$ 2,314,736	\$ 2,418,969	\$ 104,233	4.50%

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).



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 seven of the other significant categories when compared to last year. Overall total use taxes were up by 74,148 or 15.21% when compared to last year.

NAICS Industry Sector	2022	2023	FY23 vs. FY22	
			Increase (Decrease)	% Change
Motor Vehicle & Parts Dealers	\$ 53,976	\$ 60,426	\$ 6,450	11.95%
Electronics	8,228	6,486	(1,742)	-21.17%
Building Material and Garden Equipmen	8,715	9,227	512	5.87%
Clothing and Clothing Accessories Store	17,952	19,911	1,959	10.91%
Sporting Goods	9,608	9,871	263	2.74%
General Merchandise Stores	11,180	11,809	630	5.63%
Miscellaneous Store Retailers	12,548	16,445	3,897	31.05%
Nonstore Retailers	216,841	231,047	14,207	6.55%
Retail Trade - Other	20,805	16,363	(4,442)	-21.35%
Construction	2,339	3,627	1,288	55.04%
Manufacturing	16,452	20,923	4,472	27.18%
Wholesale Trade	42,914	77,100	34,186	79.66%
Information	20,156	24,271	4,115	20.41%
Real Estate and Rental and Leasing	10,845	9,055	(1,790)	-16.50%
Professional Services	15,748	19,847	4,099	26.03%
Other Services (Except Public Administr	4,809	6,079	1,269	26.39%
Miscellaneous	14,443	19,220	4,777	33.07%
Grand Total	\$ 487,559	\$ 561,707	\$ 74,148	15.21%

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.

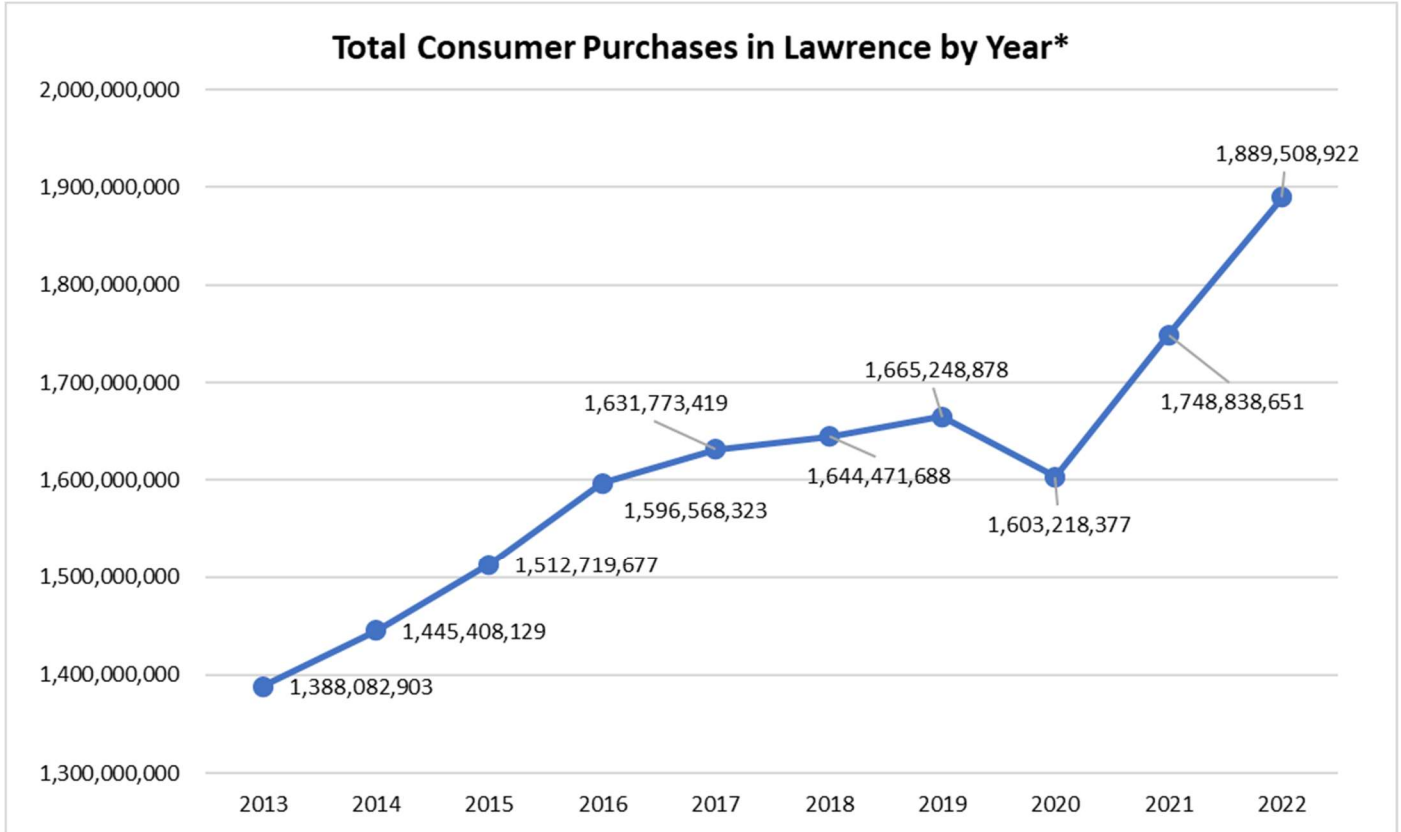
The TDD and TIF districts within the City are used to reimburse a developer for approved improvements. The receipts for the TDD and TIF are receipted into separate funds. Further performance information on the Districts may be found in the City's economic development reports <https://lawrenceks.org/ed/>.

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

January 26, 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 01/31/2023. The details are as follows:

Detail Description	County	Amount
Jan 2023 Compensating Use Tax		
City Tax File	Douglas	561,706.62
City Share From County Tax	Douglas	254,163.37
Total for Jan 2023 Compensating Use Tax:		\$815,869.99
Jan 2023 Sales Tax		
City Tax File	Douglas	2,418,968.59
City Share From County Tax	Douglas	963,836.01
Total for Jan 2023 Sales Tax:		\$3,382,804.60
Jan 2023 Transportation Dev Dist Tax		
Lawrence Transportation	Douglas	33,939.88
Lawrence 2 Transportation	Douglas	5,520.02
Lawrence 9thnh Transport	Douglas	3,891.87
Total for Jan 2023 Transportation Dev Dist Tax:		\$43,351.77
Grand Total Amount:		\$4,242,026.36

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