

Memorandum

City of Lawrence

Finance Department

TO: Craig S. Owens, City Manager

FROM: Jeremy Willmoth, Finance Director

DATE: June 28, 2023

RE: June 2023 Sales and Use Tax Report

The City received its June sales and use taxes, along with its share of County sales and use tax, and the special taxing districts distribution, which totaled \$4,182,595. This is predominately from sales that occurred in April 2023. Of this amount, \$3,367,845 was from sales taxes and \$775,792 was from use taxes before Tax Increment Financing Districts (TIF) payments were applied. The remaining \$38,958 was from sales and use taxes within the three Transportation Development Districts (TDD).

June Sales and Use Tax

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

Sales and use tax for June 2023 compared to our revised budget:

The City's sales taxes experienced a \$63,241 decrease (-2.58%).

The City's use taxes experienced a \$41,079 increase (8.40%).

The City's portion of the County's general sales and use tax experienced a -\$16,414 decrease (-0.93%).

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

The City's sales taxes experienced a \$220,418 increase (1.49%).

The City's use taxes experienced a \$186,787 increase (6.33%).

The City's portion of the County's general sales and use tax experienced a \$51,890 increase (0.70%).

Year-to-date total sales and use tax revenues experienced a \$459,095 increase (1.83%) compared to the budget.

All Sales Taxes Collected	June Budget	June 2023	2023 Budget	2023 YTD Collected	Increase/ (Decrease)	% Change
Sales Taxes	\$ 2,449,000	\$ 2,385,759	\$ 14,782,000	\$ 15,002,418	\$ 220,418	1.49%
Use Taxes	489,000	530,079	2,951,000	3,137,787	186,787	6.33%
City portion of County Taxes	1,228,000	1,211,586	7,412,000	7,463,890	51,890	0.70%
All Sales Taxes Collected	\$ 4,166,000	\$ 4,127,425	\$ 25,145,000	\$ 25,604,095	\$ 459,095	1.83%
Sales Tax by Category						
City Sales tax	\$ 1,580,000	\$ 1,537,831	\$ 9,534,000	\$ 9,667,370	\$ 133,370	1.40%
City Use tax	318,000	341,987	1,918,000	2,024,379	106,379	5.55%
City Share County Sales Tax	990,000	965,873	5,974,000	6,011,225	37,225	0.62%
City Share County Use Tax	238,000	245,713	1,438,000	1,452,665	14,665	1.02%
Total General Fund Receipts	3,126,000	3,091,403	18,864,000	19,155,638	291,638	1.55%
Infrastructure Sales Tax	475,000	462,507	2,868,000	2,910,026	42,026	1.47%
Infrastructure Use Tax	93,000	102,596	561,000	607,314	46,314	8.26%
Total Capital Impr. Reserve Receipts	568,000	565,103	3,429,000	3,517,340	88,340	2.58%
Transit Sales Tax	316,000	308,338	1,907,000	1,940,017	33,017	1.73%
Transit Use Tax	64,000	68,397	384,000	404,876	20,876	5.44%
Total Transit Receipts	380,000	376,735	2,291,000	2,344,893	53,893	2.35%
Affordable Housing Sales Tax	78,000	77,084	473,000	485,004	12,004	2.54%
Affordable Housing Use Tax	14,000	17,099	88,000	101,219	13,219	15.02%
Total Affordable Housing Receipts	92,000	94,184	561,000	586,223	25,223	4.50%
Total Receipts*	\$ 4,166,000	\$ 4,127,425	\$ 25,145,000	\$ 25,604,095	\$ 459,095	1.83%

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

Sales and Use Tax Trends Year to date

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

The City's sales taxes experienced a \$269,067 decrease (-10.09%).

The City's use taxes experienced a \$22,242 increase (4.38%).

The City's portion of the County's general sales and use tax experienced a \$79,717 decrease (-6.15%).

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

The City's sales taxes experienced a \$663,790 increase (4.61%).

The City's use taxes experienced a \$219,479 increase (7.52%).

The City's portion of the County's general sales and use tax experienced a \$376,537 increase (5.29%).

Year-to-date total sales and use tax revenues (including special districts) experienced a \$1,292,794 increase (5.24%) compared to the prior year.

All Sales Taxes Collected	June 2022	June 2023	2022 YTD Collected	2023 YTD Collected	Increase/ (Decrease)	% Change
Sales Taxes	\$ 2,666,119	\$ 2,397,052	\$ 14,407,693	\$ 15,071,483	\$ 663,790	4.61%
Use Taxes	507,838	530,079	2,918,308	3,137,787	219,479	7.52%
City portion of County Taxes	1,296,223	1,216,506	7,119,264	7,495,802	376,537	5.29%
Special District Taxes	44,753	38,958	233,848	266,835	32,987	14.11%
All Sales Taxes Collected	\$ 4,514,932	\$ 4,182,595	\$ 24,679,113	\$ 25,971,907	\$ 1,292,794	5.24%
Sales Tax by Category						
City Sales tax	\$ 1,707,894	\$ 1,537,831	\$ 9,233,193	\$ 9,667,370	\$ 434,177	4.70%
City Use tax	327,637	341,987	1,882,779	2,024,379	141,599	7.52%
City Share County Sales Tax	1,058,635	965,873	5,729,810	6,011,225	281,415	4.91%
City Share County Use Tax	230,660	245,713	1,354,151	1,452,665	98,513	7.27%
Total General Fund Receipts	3,324,827	3,091,403	18,199,933	19,155,638	955,705	5.25%
Infrastructure Sales Tax	514,605	462,507	2,782,002	2,910,026	128,024	4.60%
Infrastructure Use Tax	98,291	102,596	564,834	607,314	42,480	7.52%
Total Capital Impr. Reserve Receipts	612,897	565,103	3,346,836	3,517,340	170,504	5.09%
Transit Sales Tax	343,070	308,338	1,854,668	1,940,017	85,350	4.60%
Transit Use Tax	65,527	68,397	376,556	404,876	28,320	7.52%
Total Transit Receipts	408,598	376,735	2,231,224	2,344,893	113,669	5.09%
Affordable Housing Sales Tax	85,768	77,084	463,667	485,004	21,337	4.60%
Affordable Housing Use Tax	16,382	17,099	94,139	101,219	7,080	7.52%
Total Affordable Housing Receipts	102,149	94,184	557,806	586,223	28,417	5.09%
Free State TDD	32,570	30,303	171,755	210,668	38,913	22.66%
Oread TDD	7,458	3,858	40,146	32,717	(7,429)	-18.51%
Oread TIF City Share	7,458	3,858	40,146	32,717	(7,429)	-18.51%
Oread TIF City Share of County	4,235	2,188	22,798	18,550	(4,248)	-18.63%
Total Oread Receipts**	19,150	9,904	103,091	83,984	(19,107)	-18.53%
9th NH South TDD	4,725	4,796	21,946	23,450	1,504	6.85%
9th NH South TIF City Share	7,324	7,434	34,017	36,348	2,331	6.85%
9th NH South TIF City Share of Co	2,692	2,733	12,505	13,362	857	6.85%
Total 9th NH South Receipts	14,741	14,963	68,468	73,160	4,692	6.85%
Total Special Districts	66,462	55,171	343,314	367,812	24,498	7.14%
Total Receipts	\$ 4,514,932	\$ 4,182,595	\$ 24,679,113	\$ 25,971,907	\$ 1,292,794	5.24%

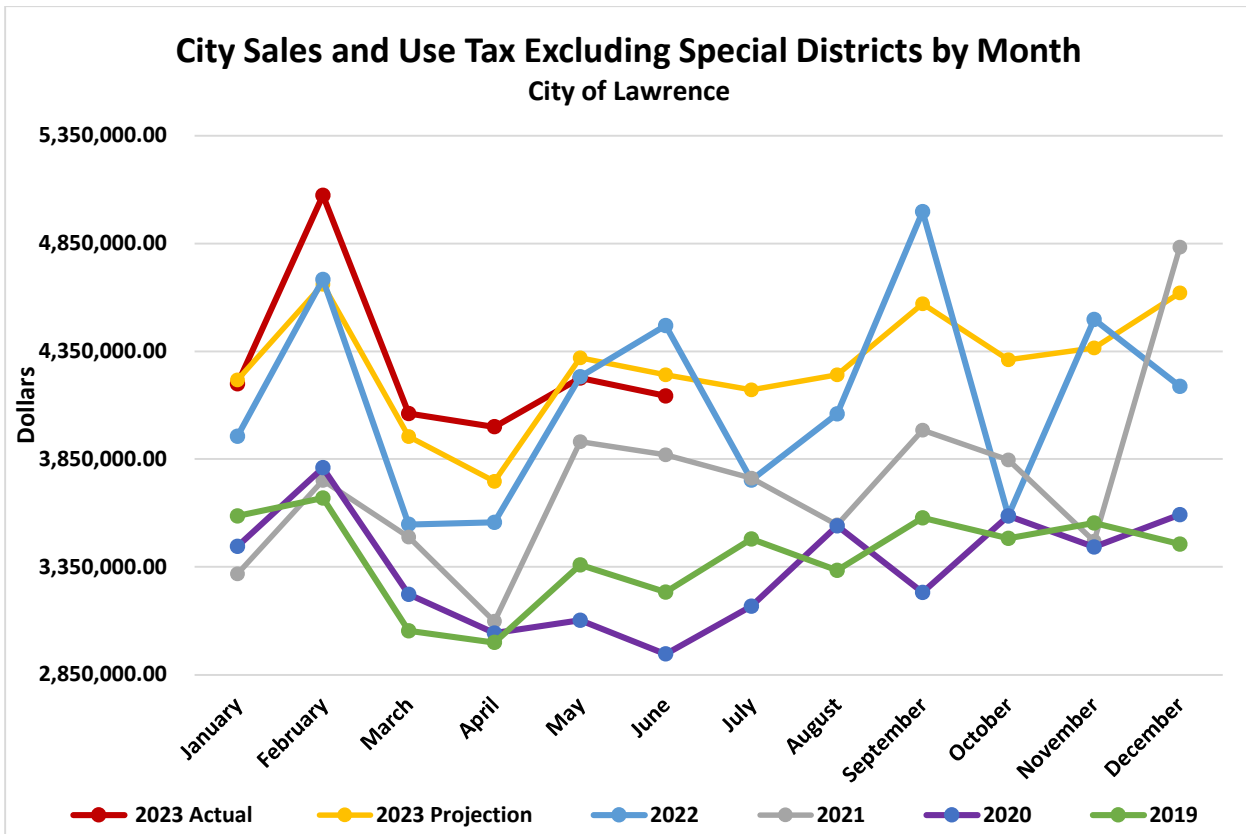
**Oread distributions are currently under review.

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 14.29%.

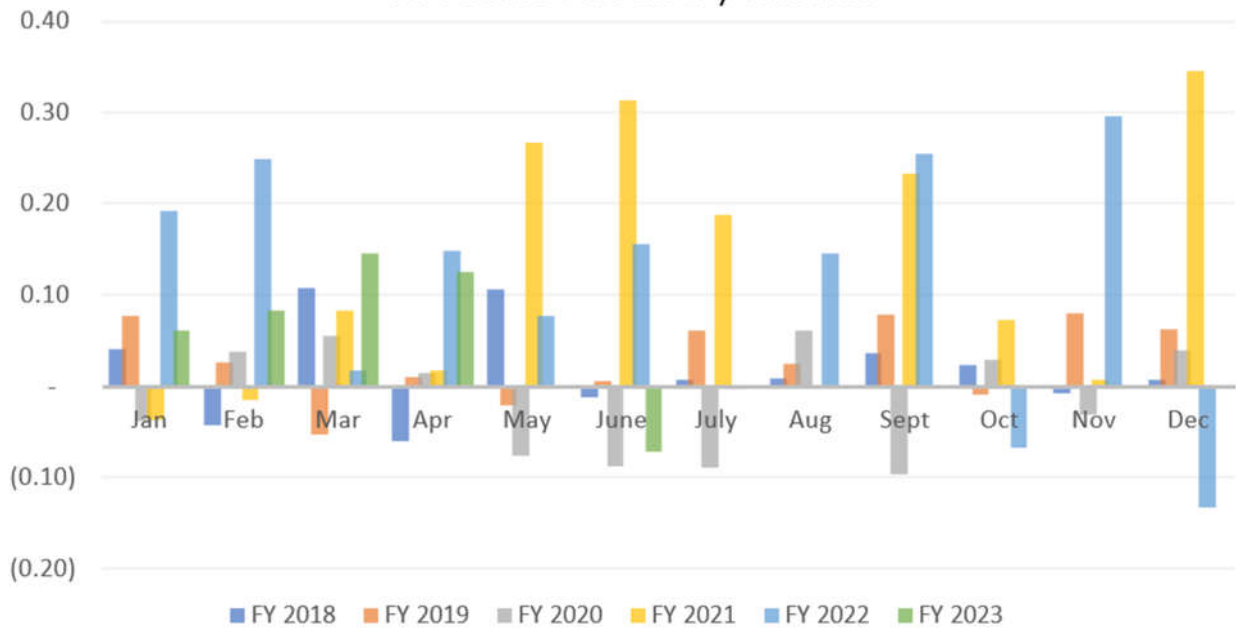
As the chart illustrates for June:

- FY 2021 collections were \$21.46 million.
- FY 2022 collections were \$24.45 million. 13.93% growth over the prior year.
- FY 2023 collections are \$25.71 million. 5.15% growth over the prior year.



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

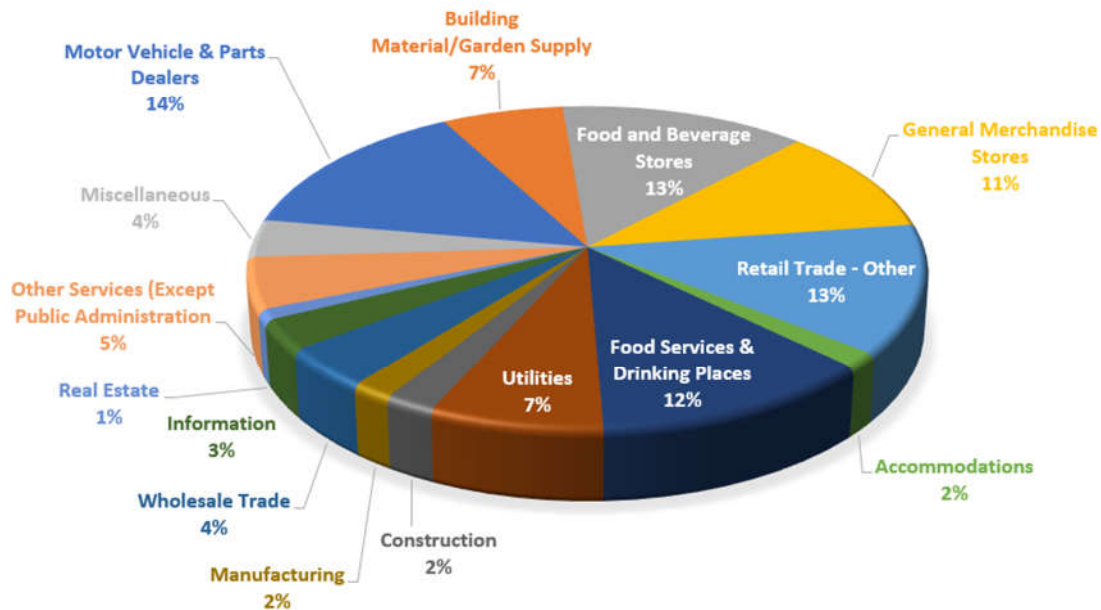
A comparison of year over year change in sales tax collections by month



Sales Tax Distribution

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

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

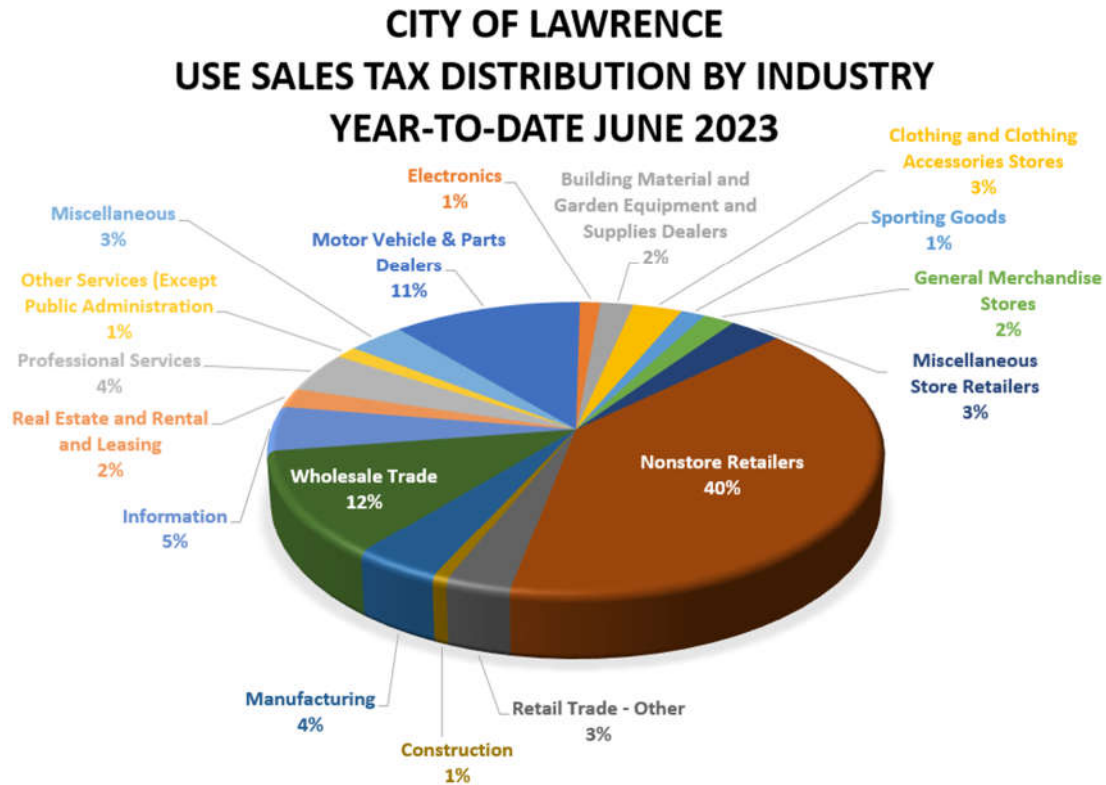


The following table is divided by the North American Industry Classification System (NAICS) sectors to provide some context to the diversity within the City's sales tax system. Retail Trade has been broken out below, so the top four categories are listed separately. The table shows that there was growth in all but one significant category in Retail Trade compared to last year. There was also growth in seven of the other significant categories. Overall total sales were up by \$663,790 or 4.61% when compared to last year.

NAICS Industry Sector	2022	2023	FY23 vs. FY22	
			Increase (Decrease)	% Change
Motor Vehicle & Parts Dealers	\$ 1,957,878	\$ 2,155,258	\$ 197,380	10.08%
Building Material/Garden Supply	1,036,206	993,021	(43,185)	-4.17%
Food and Beverage Stores	1,930,482	2,015,439	84,957	4.40%
General Merchandise Stores	1,472,467	1,605,862	133,394	9.06%
Retail Trade - Other	2,042,885	1,958,845	(84,040)	-4.11%
Accommodations	209,609	228,334	18,724	8.93%
Food Services & Drinking Places	1,722,450	1,827,279	104,829	6.09%
Utilities	964,492	1,118,398	153,906	15.96%
Construction	290,064	325,759	35,695	12.31%
Manufacturing	211,679	267,701	56,022	26.47%
Wholesale Trade	618,394	616,098	(2,296)	-0.37%
Information	484,531	462,425	(22,106)	-4.56%
Real Estate	220,502	153,863	(66,639)	-30.22%
Other Services (Except Public Administration)	690,235	776,755	86,519	12.53%
Miscellaneous	555,820	566,448	10,629	1.91%
Grand Total	\$14,407,693	\$15,071,483	\$ 663,790	4.61%

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).



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 five categories in Retail Trade when compared to last year. There was also growth in six of the other significant categories when compared to last year. Overall total use taxes were up by \$219,479 or 7.52% when compared to last year.

NAICS Industry Sector	2022	2023	FY23 vs. FY22	
			Increase (Decrease)	% Change
Motor Vehicle & Parts Dealers	\$ 324,452	\$ 356,016	\$ 31,564	9.73%
Electronics	49,247	38,387	(10,860)	-22.05%
Building Material and Garden Equipme	61,249	61,976	727	1.19%
Clothing and Clothing Accessories Store	87,280	92,413	5,133	5.88%
Sporting Goods	50,313	45,579	(4,734)	-9.41%
General Merchandise Stores	58,998	58,770	(229)	-0.39%
Miscellaneous Store Retailers	16,208	98,624	82,417	508.50%
Nonstore Retailers	1,250,731	1,261,803	11,072	0.89%
Retail Trade - Other	118,687	96,640	(22,047)	-18.58%
Construction	27,971	22,330	(5,641)	-20.17%
Manufacturing	117,468	129,151	11,683	9.95%
Wholesale Trade	302,042	366,359	64,317	21.29%
Information	120,188	154,488	34,301	28.54%
Real Estate and Rental and Leasing	79,574	67,247	(12,328)	-15.49%
Professional Services	115,426	138,817	23,391	20.26%
Other Services (Except Public Administr	36,475	41,272	4,797	13.15%
Miscellaneous	101,999	107,916	5,918	5.80%
Grand Total	\$2,918,308	\$3,137,787	\$ 219,479	7.52%

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.

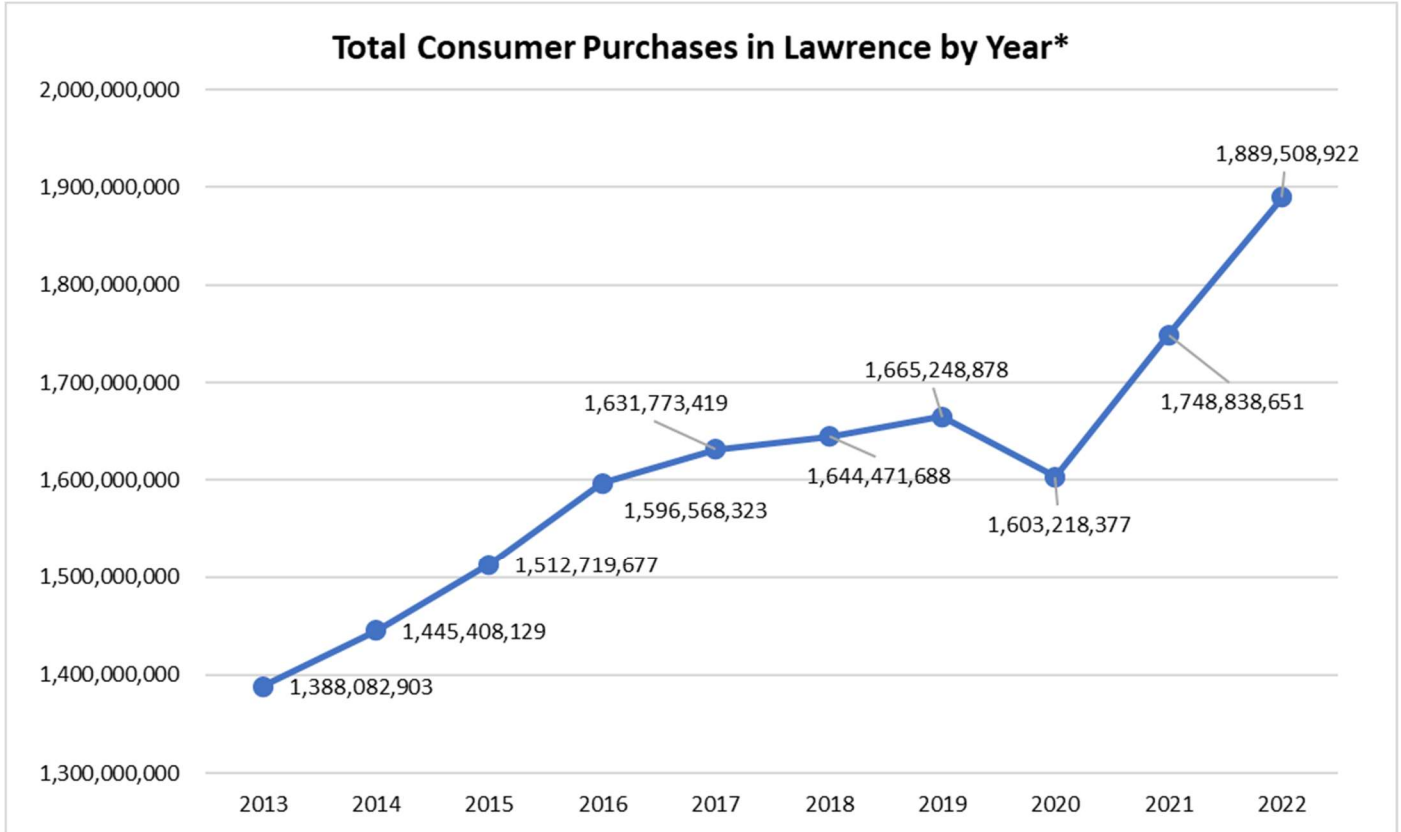
The TDD and TIF districts within the City are used to reimburse a developer for approved improvements. The receipts for the TDD and TIF are receipted into separate funds. Further performance information on the Districts may be found in the City's economic development reports <https://lawrenceks.org/ed/>.

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**

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

June 27, 2023

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 06/30/2023. The details are as follows:

Detail Description	County	Amount
Jun 2023 Transportation Dev Dist Tax		
Lawrence Transportation	Douglas	30,303.41
Lawrence 2 Transportation	Douglas	3,858.27
Lawrence 9thnh Transport	Douglas	4,796.14
Total for Jun 2023 Transportation Dev Dist Tax:		\$38,957.82
Jun 2023 Compensating Use Tax		
City Tax File	Douglas	530,079.42
City Share From County Tax	Douglas	245,712.72
Total for Jun 2023 Compensating Use Tax:		\$775,792.14
Jun 2023 Sales Tax		
City Tax File	Douglas	2,397,051.62
City Share From County Tax	Douglas	970,793.57
Total for Jun 2023 Sales Tax:		\$3,367,845.19
Grand Total Amount:		\$4,182,595.15

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