

Memorandum

City of Lawrence

Finance Department

TO: Craig S. Owens, City Manager

FROM: Jeremy Willmoth, Finance Director

DATE: March 30, 2023

RE: March 2023 Sales and Use Tax Report

The City received its March sales and use taxes, along with its share of County sales and use tax, and the special taxing districts distribution, which totaled \$4,103,587. This is predominately from sales that occurred in January 2023. Of this amount, \$3,352,146 was from sales taxes and \$709,457 was from use taxes before Tax Increment Financing Districts (TIF) payments were applied. The remaining \$41,984 was from sales and use taxes within the three Transportation Development Districts (TDD).

March Sales and Use Tax

Sales and Use Tax Budget Comparison (excluding special districts)

Sales and use tax for March 2023 compared to budget:

The City's sales taxes experienced a \$216,920 increase (10.01%).

The City's use taxes experienced a \$102,333 increase (27.43%).

The City's portion of the County's general sales and use tax experienced a \$136,479 increase (13.01%).

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

The City's sales taxes experienced a \$738,703 increase (10.60%).

The City's use taxes experienced a \$502,859 increase (41.87%).

The City's portion of the County's general sales and use tax experienced a \$496,180 increase (14.70%).

Year-to-date total sales and use tax revenues experienced a \$1,737,741 increase (15.05%) compared to the budget.

All Sales Taxes Collected	March Budget	March 2023	2023 Budget	2023 YTD Collected	Increase/ (Decrease)	% Change
Sales Taxes	\$ 2,166,000	\$ 2,382,920	\$ 6,970,000	\$ 7,708,703	\$ 738,703	10.60%
Use Taxes	373,000	475,333	1,201,000	1,703,859	502,859	41.87%
City portion of County Taxes	1,049,000	1,185,479	3,376,000	3,872,180	496,180	14.70%
All Sales Taxes Collected	\$ 3,588,000	\$ 4,043,731	\$ 11,547,000	\$ 13,284,741	\$ 1,737,741	15.05%
Sales Tax by Category						
City Sales tax	\$ 1,398,000	\$ 1,534,924	\$ 4,496,000	\$ 4,967,079	\$ 471,079	10.48%
City Use tax	243,000	306,666	781,000	1,099,264	318,264	40.75%
City Share County Sales Tax	882,000	951,355	2,839,000	3,077,253	238,253	8.39%
City Share County Use Tax	167,000	234,125	537,000	794,927	257,927	48.03%
Total General Fund Receipts	2,690,000	3,027,069	8,653,000	9,938,522	1,285,522	14.86%
Infrastructure Sales Tax	420,000	462,543	1,352,000	1,495,431	143,431	10.61%
Infrastructure Use Tax	71,000	92,000	228,000	329,779	101,779	44.64%
Total Capital Impr. Reserve Receipts	491,000	554,543	1,580,000	1,825,210	245,210	15.52%
Transit Sales Tax	279,000	308,362	899,000	996,954	97,954	10.90%
Transit Use Tax	48,000	61,333	156,000	219,853	63,853	40.93%
Total Transit Receipts	327,000	369,695	1,055,000	1,216,807	161,807	15.34%
Affordable Housing Sales Tax	69,000	77,091	223,000	249,239	26,239	11.77%
Affordable Housing Use Tax	11,000	15,333	36,000	54,963	18,963	52.68%
Total Affordable Housing Receipts	80,000	92,424	259,000	304,202	45,202	17.45%
Total Receipts*	\$ 3,588,000	\$ 4,043,731	\$ 11,547,000	\$ 13,284,741	\$ 1,737,741	15.05%

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

Sales and Use Tax Trends Year to date

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

The City's sales taxes experienced a \$250,525 increase (11.68%).

The City's use taxes experienced a \$109,770 increase (30.03%).

The City's portion of the County's general sales and use tax experienced a \$154,110 increase (14.86%).

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

The City's sales taxes experienced a \$542,589 increase (7.54%).

The City's use taxes experienced a \$272,595 increase (19.05%).

The City's portion of the County's general sales and use tax experienced a \$332,605 increase (9.35%).

Year-to-date total sales and use tax revenues (including special districts) experienced a \$1,168,455 increase (9.50%) compared to the prior year.

All Sales Taxes Collected	March 2022	March 2023	2022 YTD Collected	2023 YTD Collected	Increase/ (Decrease)	% Change
Sales Taxes	\$ 2,144,458	\$ 2,394,984	\$ 7,199,864	\$ 7,742,453	\$ 542,589	7.54%
Use Taxes	365,563	475,333	1,431,263	1,703,859	272,595	19.05%
City portion of County Taxes	1,037,177	1,191,287	3,555,509	3,888,114	332,605	9.35%
Special District Taxes	37,159	41,984	118,143	138,809	20,666	17.49%
All Sales Taxes Collected	\$ 3,584,358	\$ 4,103,587	\$ 12,304,780	\$ 13,473,235	\$ 1,168,455	9.50%
Sales Tax by Category						
City Sales tax	\$ 1,373,935	\$ 1,534,924	\$ 4,614,353	\$ 4,967,079	\$ 352,726	7.64%
City Use tax	235,847	306,666	923,396	1,099,264	175,868	19.05%
City Share County Sales Tax	853,567	951,355	2,861,678	3,077,253	215,575	7.53%
City Share County Use Tax	178,161	234,125	676,367	794,927	118,561	17.53%
Total General Fund Receipts	2,641,510	3,027,069	9,075,793	9,938,522	862,729	9.51%
Infrastructure Sales Tax	414,237	462,543	1,390,486	1,495,431	104,945	7.55%
Infrastructure Use Tax	70,754	92,000	277,019	329,779	52,760	19.05%
Total Capital Impr. Reserve Receipts	484,991	554,543	1,667,505	1,825,210	157,705	9.46%
Transit Sales Tax	276,158	308,362	926,991	996,954	69,963	7.55%
Transit Use Tax	47,169	61,333	184,679	219,853	35,174	19.05%
Total Transit Receipts	323,328	369,695	1,111,670	1,216,807	105,137	9.46%
Affordable Housing Sales Tax	69,040	77,091	231,748	249,239	17,491	7.55%
Affordable Housing Use Tax	11,792	15,333	46,170	54,963	8,793	19.05%
Total Affordable Housing Receipts	80,832	92,424	277,917	304,202	26,284	9.46%
Free State TDD	27,572	31,757	87,423	110,756	23,334	26.69%
Oread TDD	6,856	6,887	20,601	17,692	(2,909)	-14.12%
Oread TIF City Share	6,856	6,887	20,601	17,692	(2,909)	-14.12%
Oread TIF City Share of County	3,893	3,905	11,699	10,031	(1,668)	-14.26%
Total Oread Receipts**	17,604	17,679	52,901	45,414	(7,487)	-14.15%
9th NH South TDD	2,731	3,340	10,119	10,361	241	2.38%
9th NH South TIF City Share	4,233	5,177	15,685	16,059	374	2.38%
9th NH South TIF City Share of Co	1,556	1,903	5,766	5,904	137	2.38%
Total 9th NH South Receipts	8,520	10,420	31,570	32,323	753	2.38%
Total Special Districts	53,697	59,856	171,894	188,494	16,600	9.66%
Total Receipts	\$ 3,584,358	\$ 4,103,587	\$ 12,304,780	\$ 13,473,235	\$ 1,168,455	9.50%

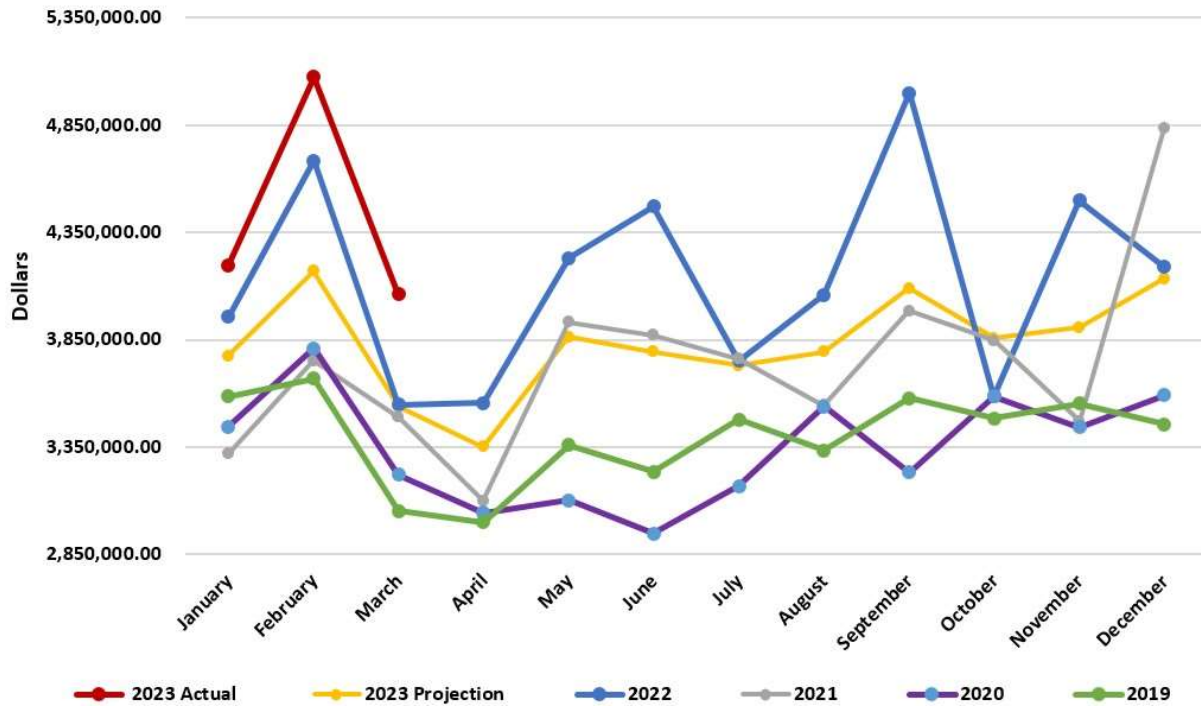
Given the City's reliance on sales tax, and the significant impact that COVID-19 has had on sales in the City, we felt a little deeper analysis of where we are in relation to where we have been, and where we believe we are headed would be beneficial.

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 15.05%.

As the chart illustrates for March:

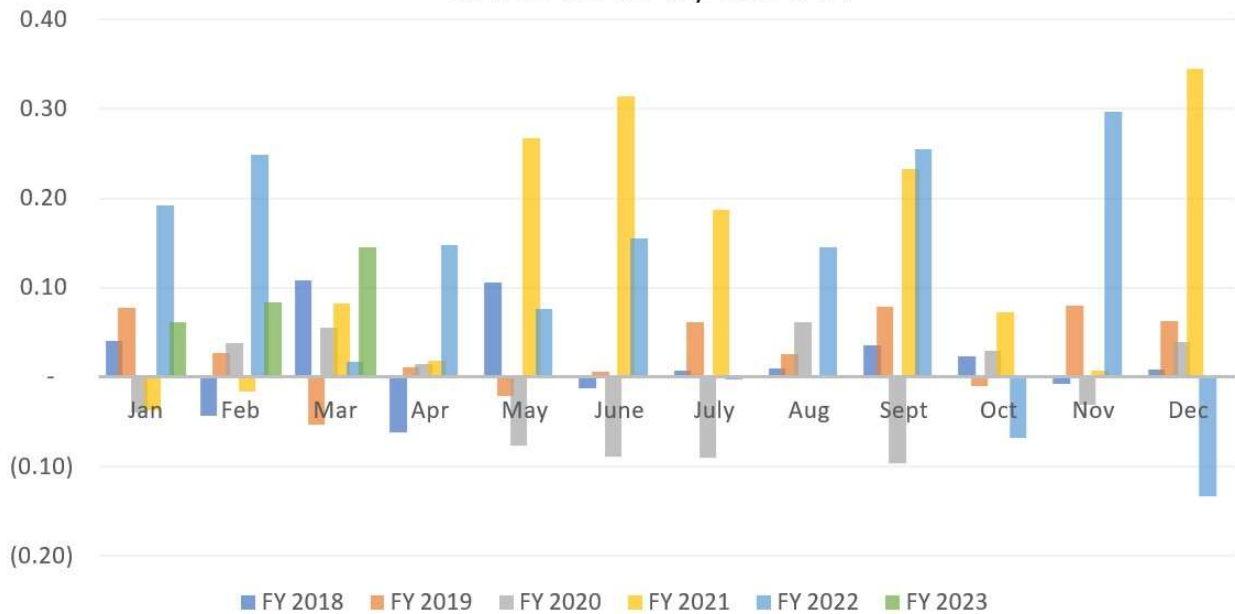
- FY 2021 collections were \$10.56 million.
- FY 2022 collections were \$12.19 million. 15.44% growth over the prior year.
- FY 2023 collections are \$13.33 million. 9.42% growth over the prior year.

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.

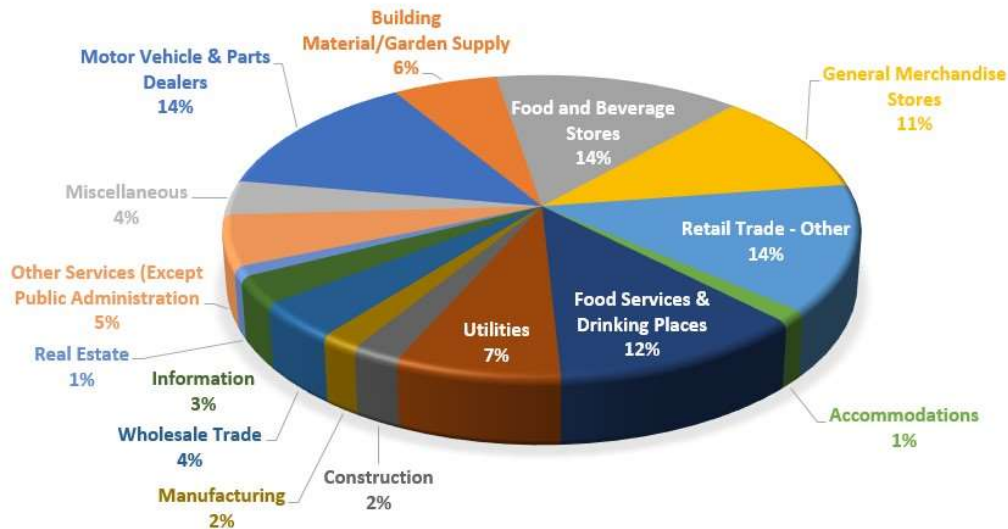
A comparison of year over year change in sales tax collections by month



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 MARCH 2023

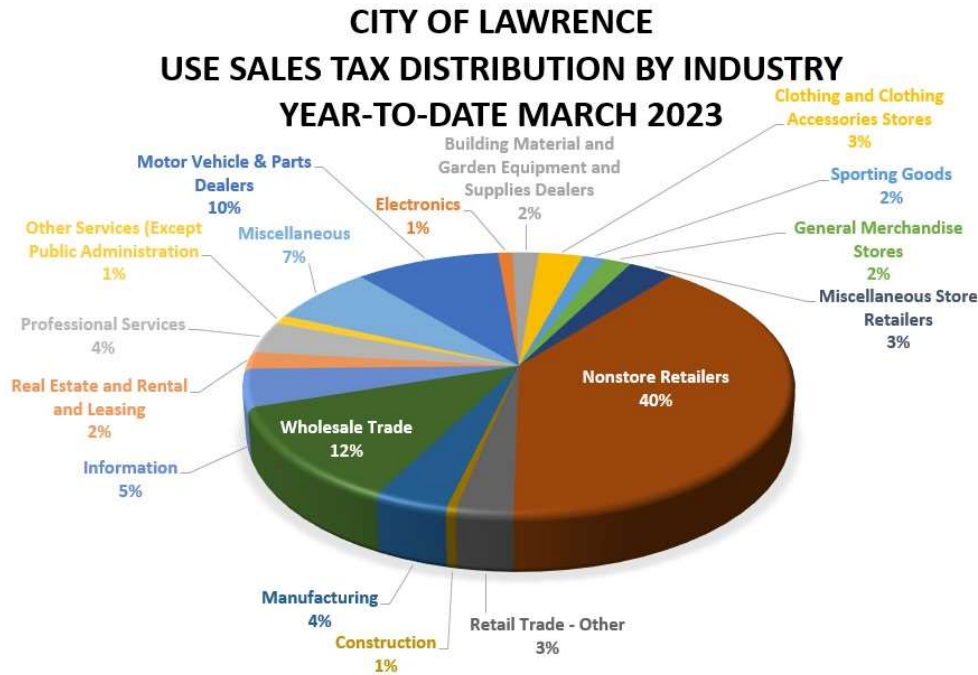


The following table is divided by the North American Industry Classification System (NAICS) sectors to provide some context to the diversity within the City's sales tax system. Retail Trade has been broken out below, so the top four categories are listed separately. The table shows that there was growth in all but two 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 \$542,589 or 7.54% when compared to last year.

NAICS Industry Sector	2022	2023	FY23 vs. FY22	
			Increase (Decrease)	% Change
Motor Vehicle & Parts Dealers	\$ 875,431	\$ 1,047,502	\$ 172,071	19.66%
Building Material/Garden Supply	511,961	470,339	(41,622)	-8.13%
Food and Beverage Stores	1,036,155	1,108,736	72,582	7.00%
General Merchandise Stores	777,096	850,750	73,654	9.48%
Retail Trade - Other	1,069,943	1,060,999	(8,945)	-0.84%
Accommodations	88,623	98,504	9,881	11.15%
Food Services & Drinking Places	824,379	896,558	72,179	8.76%
Utilities	478,632	581,446	102,814	21.48%
Construction	149,078	171,743	22,665	15.20%
Manufacturing	108,702	137,709	29,006	26.68%
Wholesale Trade	299,957	309,326	9,369	3.12%
Information	242,731	229,207	(13,524)	-5.57%
Real Estate	100,315	80,973	(19,342)	-19.28%
Other Services (Except Public Administr	364,187	423,309	59,122	16.23%
Miscellaneous	272,674	275,354	2,680	0.98%
Grand Total	\$ 7,199,864	\$ 7,742,453	\$ 542,589	7.54%

Use Tax Distribution

Use taxes within the City are from a wide variety of industries. The largest industrial segment is Retail trade at around 64% 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 four categories 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 272,595 or 19.05% when compared to last year.

NAICS Industry Sector	2022	2023	FY23 vs. FY22	
			Increase (Decrease)	% Change
Motor Vehicle & Parts Dealers	\$ 162,517	\$ 172,775	\$ 10,258	6.31%
Electronics	24,805	17,183	(7,622)	-30.73%
Building Material and Garden Equipment and Supplies Dealers	28,531	31,513	2,982	10.45%
Clothing and Clothing Accessories Stores	48,277	52,683	4,406	9.13%
Sporting Goods	30,139	26,720	(3,418)	-11.34%
General Merchandise Stores	34,825	32,207	(2,618)	-7.52%
Miscellaneous Store Retailers	(34,403)	55,614	90,017	-261.65%
Nonstore Retailers	649,682	703,720	54,038	8.32%
Retail Trade - Other	56,679	53,320	(3,359)	-5.93%
Construction	11,237	8,901	(2,336)	-20.78%
Manufacturing	56,112	69,131	13,019	23.20%
Wholesale Trade	142,992	218,700	75,708	52.95%
Information	61,159	83,816	22,657	37.05%
Real Estate and Rental and Leasing	37,666	36,790	(876)	-2.33%
Professional Services	49,778	69,763	19,985	40.15%
Other Services (Except Public Administration)	17,149	19,888	2,739	15.97%
Miscellaneous	54,117	51,134	(2,984)	-5.51%
Grand Total	\$1,431,263	\$1,703,859	\$ 272,595	19.05%

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.

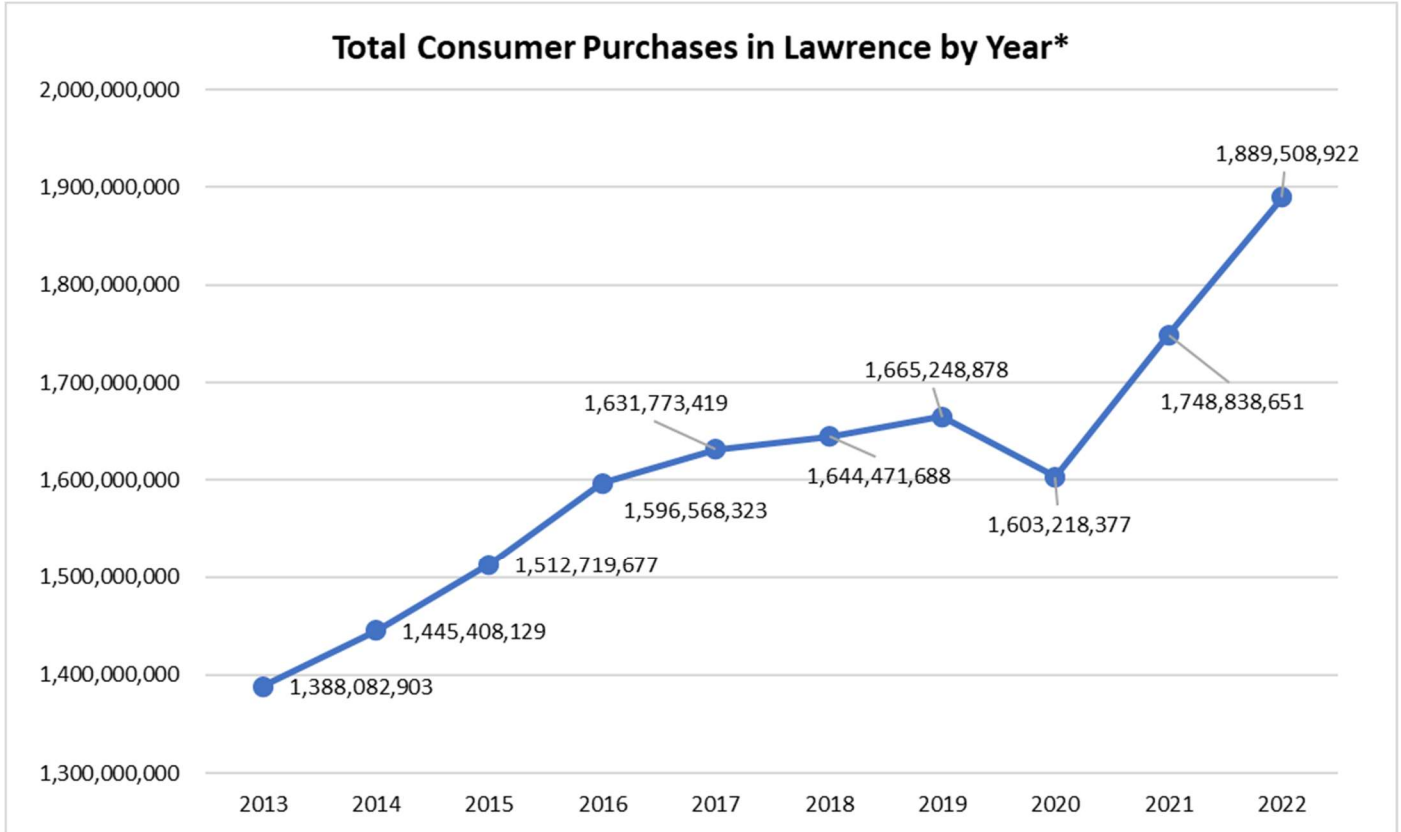
The TDD and TIF districts within the City are used to reimburse a developer for approved improvements. The receipts for the TDD and TIF are receipted into separate funds. Further performance information on the Districts may be found in the City's economic development reports <https://lawrenceks.org/ed/>.

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**

JEREMY WILLMOTH
PO BOX 708
LAWRENCE, KS 66044

March 28, 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 03/31/2023. The details are as follows:

Detail Description	County	Amount
Mar 2023 Compensating Use Tax		
City Tax File	Douglas	475,332.53
City Share From County Tax	Douglas	234,124.51
Total for Mar 2023 Compensating Use Tax:		\$709,457.04
Mar 2023 Sales Tax		
City Tax File	Douglas	2,394,983.51
City Share From County Tax	Douglas	957,162.72
Total for Mar 2023 Sales Tax:		\$3,352,146.23
Mar 2023 Transportation Dev Dist Tax		
Lawrence Transportation	Douglas	31,756.93
Lawrence 2 Transportation	Douglas	6,887.14
Lawrence 9thnh Transport	Douglas	3,339.87
Total for Mar 2023 Transportation Dev Dist Tax:		\$41,983.94
Grand Total Amount:		\$4,103,587.21

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