

Memorandum

City of Lawrence

Finance Department

TO: Craig S. Owens, City Manager

FROM: Jeremy Willmoth, Finance Director

DATE: June 1, 2023

RE: May 2023 Sales and Use Tax Report

The City received its May sales and use taxes, along with its share of County sales and use tax, and the special taxing districts distribution, which totaled \$4,284,928. This is predominately from sales that occurred in March 2023. Of this amount, \$3,567,312 was from sales taxes and \$659,501 was from use taxes before Tax Increment Financing Districts (TIF) payments were applied. The remaining \$58,114 was from sales and use taxes within the three Transportation Development Districts (TDD).

May Sales and Use Tax

Sales and Use Tax Budget Comparison (excluding special districts)

Sales and use tax for May 2023 compared to budget:

The City's sales taxes experienced a \$217,289 increase (9.43%).

The City's use taxes experienced a \$56,093 increase (14.13%).

The City's portion of the County's general sales and use tax experienced a \$114,634 increase (10.27%).

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

The City's sales taxes experienced a \$1,287,659 increase (11.37%).

The City's use taxes experienced a \$656,707 increase (33.66%).

The City's portion of the County's general sales and use tax experienced a \$765,304 increase (13.95%).

Year-to-date total sales and use tax revenues experienced a \$2,709,670 increase (14.44%) compared to the budget.

| All Sales Taxes Collected | May Budget | May 2023 | 2023 Budget | 2023 YTD Collected | Increase/ (Decrease) | % Change |
|--------------------------------------|--------------|--------------|---------------|--------------------|----------------------|----------|
| Sales Taxes | \$ 2,305,000 | \$ 2,522,289 | \$ 11,329,000 | \$ 12,616,659 | \$ 1,287,659 | 11.37% |
| Use Taxes | 397,000 | 453,093 | 1,951,000 | 2,607,707 | 656,707 | 33.66% |
| City portion of County Taxes | 1,116,000 | 1,230,634 | 5,487,000 | 6,252,304 | 765,304 | 13.95% |
| All Sales Taxes Collected | \$ 3,818,000 | \$ 4,206,015 | \$ 18,767,000 | \$ 21,476,670 | \$ 2,709,670 | 14.44% |
| Sales Tax by Category | | | | | | |
| City Sales tax | \$ 1,487,000 | \$ 1,624,760 | \$ 7,307,000 | \$ 8,129,540 | \$ 822,540 | 11.26% |
| City Use tax | 258,000 | 292,318 | 1,267,000 | 1,682,392 | 415,392 | 32.79% |
| City Share County Sales Tax | 938,000 | 1,024,225 | 4,614,000 | 5,045,352 | 431,352 | 9.35% |
| City Share County Use Tax | 178,000 | 206,408 | 873,000 | 1,206,952 | 333,952 | 38.25% |
| Total General Fund Receipts | 2,861,000 | 3,147,711 | 14,061,000 | 16,064,235 | 2,003,235 | 14.25% |
| Infrastructure Sales Tax | 447,000 | 489,561 | 2,198,000 | 2,447,520 | 249,520 | 11.35% |
| Infrastructure Use Tax | 75,000 | 87,695 | 371,000 | 504,718 | 133,718 | 36.04% |
| Total Capital Impr. Reserve Receipts | 522,000 | 577,257 | 2,569,000 | 2,952,237 | 383,237 | 14.92% |
| Transit Sales Tax | 297,000 | 326,374 | 1,461,000 | 1,631,680 | 170,680 | 11.68% |
| Transit Use Tax | 52,000 | 58,464 | 254,000 | 336,478 | 82,478 | 32.47% |
| Total Transit Receipts | 349,000 | 384,838 | 1,715,000 | 1,968,158 | 253,158 | 14.76% |
| Affordable Housing Sales Tax | 74,000 | 81,594 | 363,000 | 407,920 | 44,920 | 12.37% |
| Affordable Housing Use Tax | 12,000 | 14,616 | 59,000 | 84,120 | 25,120 | 42.58% |
| Total Affordable Housing Receipts | 86,000 | 96,209 | 422,000 | 492,040 | 70,040 | 16.60% |
| Total Receipts* | \$ 3,818,000 | \$ 4,206,015 | \$ 18,767,000 | \$ 21,476,670 | \$ 2,709,670 | 14.44% |

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

Sales and Use Tax Trends Year to date

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

The City's sales taxes experienced a \$35,566 increase (1.42%).

The City's use taxes experienced a \$41,475 decrease (-8.39%).

The City's portion of the County's general sales and use tax experienced a \$1,195 increase (0.10%).

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

The City's sales taxes experienced a \$932,857 increase (7.94%).

The City's use taxes experienced a \$197,237 increase (8.18%).

The City's portion of the County's general sales and use tax experienced a \$456,254 increase (7.84%).

Year-to-date total sales and use tax revenues (including special districts) experienced a \$1,625,131 increase (8.06%) compared to the prior year.

| All Sales Taxes Collected | May 2022 | May 2023 | 2022 YTD Collected | 2023 YTD Collected | Increase/ (Decrease) | % Change |
|--------------------------------------|--------------|--------------|--------------------|--------------------|----------------------|----------|
| Sales Taxes | \$ 2,500,894 | \$ 2,536,460 | \$ 11,741,574 | \$ 12,674,431 | \$ 932,857 | 7.94% |
| Use Taxes | 494,568 | 453,093 | 2,410,471 | 2,607,707 | 197,237 | 8.18% |
| City portion of County Taxes | 1,236,066 | 1,237,261 | 5,823,041 | 6,279,295 | 456,254 | 7.84% |
| Special District Taxes | 35,761 | 58,114 | 189,095 | 227,877 | 38,783 | 20.51% |
| All Sales Taxes Collected | \$ 4,267,288 | \$ 4,284,928 | \$ 20,164,181 | \$ 21,789,312 | \$ 1,625,131 | 8.06% |
| Sales Tax by Category | | | | | | |
| City Sales tax | \$ 1,604,518 | \$ 1,624,760 | \$ 7,525,299 | \$ 8,129,540 | \$ 604,241 | 8.03% |
| City Use tax | 319,076 | 292,318 | 1,555,142 | 1,682,392 | 127,250 | 8.18% |
| City Share County Sales Tax | 1,001,574 | 1,024,225 | 4,671,175 | 5,045,352 | 374,177 | 8.01% |
| City Share County Use Tax | 229,396 | 206,408 | 1,123,491 | 1,206,952 | 83,461 | 7.43% |
| Total General Fund Receipts | 3,154,565 | 3,147,711 | 14,875,107 | 16,064,235 | 1,189,129 | 7.99% |
| Infrastructure Sales Tax | 483,079 | 489,561 | 2,267,396 | 2,447,520 | 180,123 | 7.94% |
| Infrastructure Use Tax | 95,723 | 87,695 | 466,543 | 504,718 | 38,175 | 8.18% |
| Total Capital Impr. Reserve Receipts | 578,802 | 577,257 | 2,733,939 | 2,952,237 | 218,298 | 7.98% |
| Transit Sales Tax | 322,053 | 326,374 | 1,511,598 | 1,631,680 | 120,082 | 7.94% |
| Transit Use Tax | 63,815 | 58,464 | 311,028 | 336,478 | 25,450 | 8.18% |
| Total Transit Receipts | 385,868 | 384,838 | 1,822,626 | 1,968,158 | 145,532 | 7.98% |
| Affordable Housing Sales Tax | 80,513 | 81,594 | 377,899 | 407,920 | 30,021 | 7.94% |
| Affordable Housing Use Tax | 15,954 | 14,616 | 77,757 | 84,120 | 6,362 | 8.18% |
| Total Affordable Housing Receipts | 96,467 | 96,209 | 455,656 | 492,040 | 36,383 | 7.98% |
| Free State TDD | 26,799 | 46,448 | 139,185 | 180,365 | 41,180 | 29.59% |
| Oread TDD | 5,746 | 7,111 | 32,689 | 28,859 | (3,830) | -11.72% |
| Oread TIF City Share | 5,746 | 7,111 | 32,689 | 28,859 | (3,830) | -11.72% |
| Oread TIF City Share of County | 3,263 | 4,032 | 18,563 | 16,362 | (2,201) | -11.86% |
| Total Oread Receipts** | 14,755 | 18,255 | 83,941 | 74,080 | (9,861) | -11.75% |
| 9th NH South TDD | 3,216 | 4,555 | 17,221 | 18,654 | 1,433 | 8.32% |
| 9th NH South TIF City Share | 4,985 | 7,060 | 26,693 | 28,914 | 2,221 | 8.32% |
| 9th NH South TIF City Share of Co | 1,832 | 2,595 | 9,813 | 10,629 | 816 | 8.32% |
| Total 9th NH South Receipts | 10,033 | 14,210 | 53,727 | 58,197 | 4,470 | 8.32% |
| Total Special Districts | 51,587 | 78,913 | 276,852 | 312,641 | 35,789 | 12.93% |
| Total Receipts | \$ 4,267,288 | \$ 4,284,928 | \$ 20,164,181 | \$ 21,789,312 | \$ 1,625,131 | 8.06% |

**Oread distributions are currently under review.

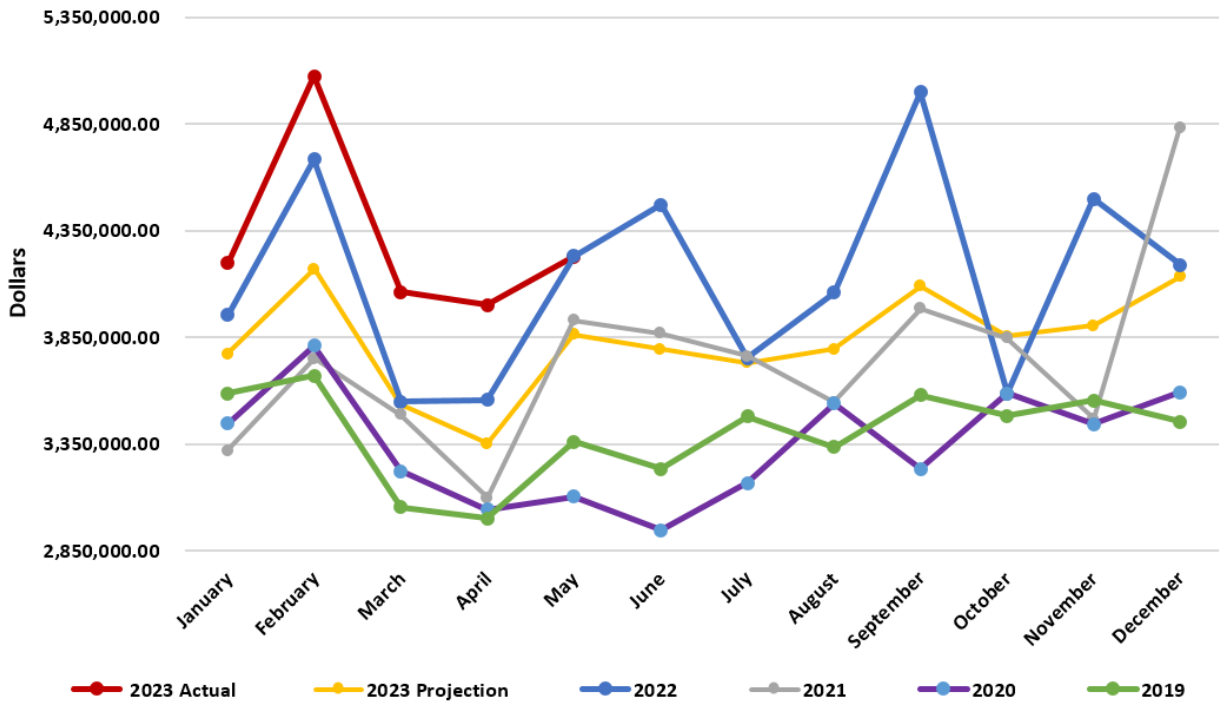
Given the City's reliance on sales tax, and the significant impact that COVID-19 has had on sales in the City, we felt a little deeper analysis of where we are in relation to where we have been, and where we believe we are headed would be beneficial.

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 14.44%.

As the chart illustrates for May:

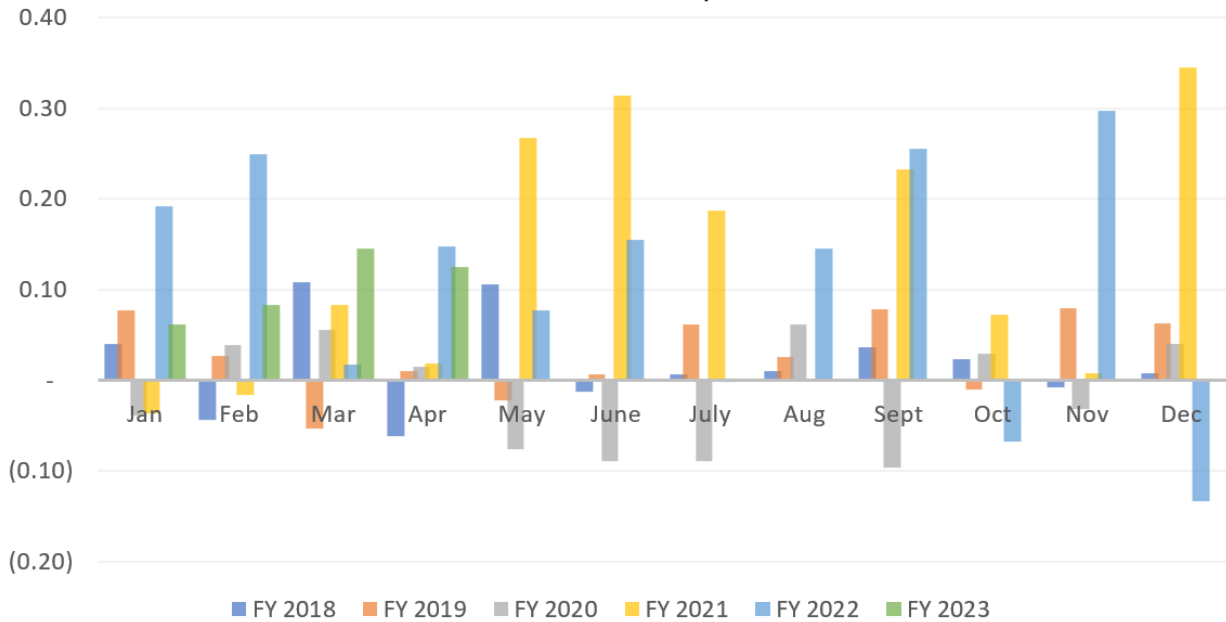
- FY 2021 collections were \$17.59 million.
- FY 2022 collections were \$19.98 million. 13.59% growth over the prior year.
- FY 2023 collections are \$21.56 million. 7.94% growth over the prior year.

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.

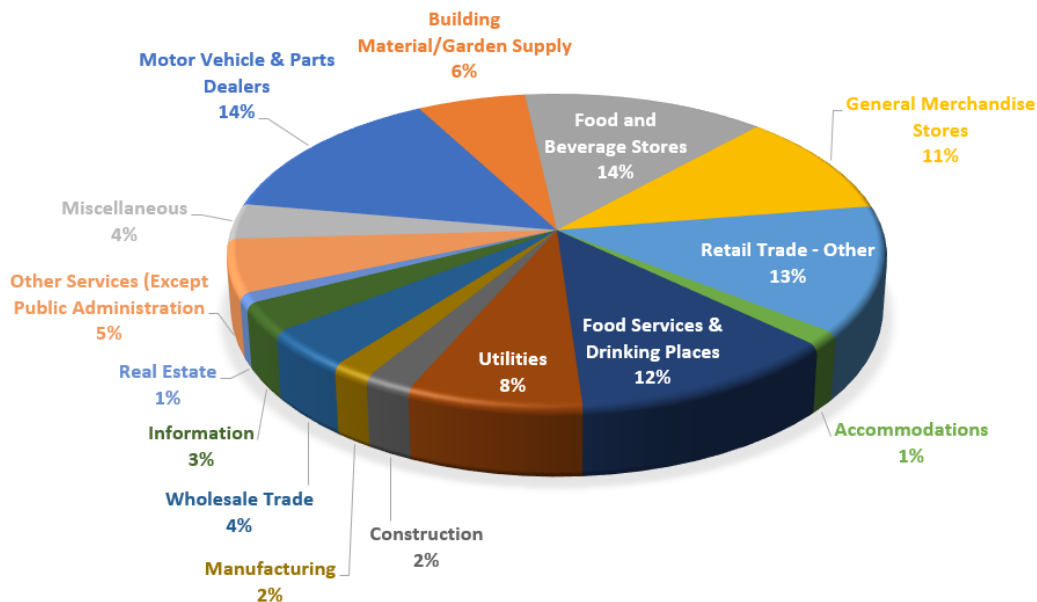
A comparison of year over year change in sales tax collections by month



Sales Tax Distribution

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

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

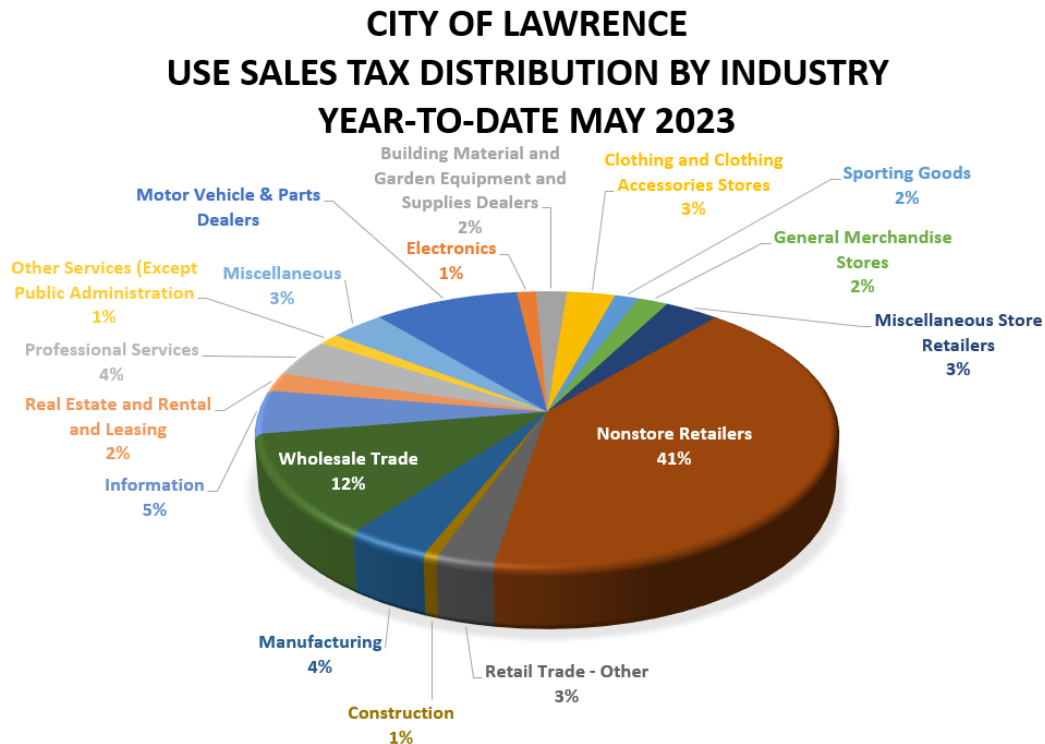


The following table is divided by the North American Industry Classification System (NAICS) sectors to provide some context to the diversity within the City's sales tax system. Retail Trade has been broken out below, so the top four categories are listed separately. The table shows that there was growth in all but one significant category in Retail Trade compared to last year. There was also growth in eight of the other significant categories. Overall total sales were up by \$932,857 or 7.94% when compared to last year.

| NAICS Industry Sector | 2022 | 2023 | FY23 vs. FY22 | |
|---|---------------------|---------------------|------------------------|--------------|
| | | | Increase (Decrease) | % Change |
| Motor Vehicle & Parts Dealers | \$ 1,598,654 | \$ 1,822,309 | \$ 223,654 | 13.99% |
| Building Material/Garden Supply | 814,962 | 769,227 | (45,734) | -5.61% |
| Food and Beverage Stores | 1,624,854 | 1,722,539 | 97,685 | 6.01% |
| General Merchandise Stores | 1,231,465 | 1,349,465 | 118,000 | 9.58% |
| Retail Trade - Other | 1,677,331 | 1,663,722 | (13,609) | -0.81% |
| Accommodations | 159,332 | 179,538 | 20,206 | 12.68% |
| Food Services & Drinking Places | 1,390,999 | 1,506,657 | 115,657 | 8.31% |
| Utilities | 748,236 | 978,530 | 230,294 | 30.78% |
| Construction | 241,440 | 268,569 | 27,129 | 11.24% |
| Manufacturing | 168,368 | 223,838 | 55,471 | 32.95% |
| Wholesale Trade | 506,806 | 512,373 | 5,567 | 1.10% |
| Information | 392,781 | 385,794 | (6,987) | -1.78% |
| Real Estate | 161,547 | 127,771 | (33,776) | -20.91% |
| Other Services (Except Public Administration) | 571,180 | 699,953 | 128,773 | 22.55% |
| Miscellaneous | 453,619 | 464,145 | 10,526 | 2.32% |
| Grand Total | \$11,741,574 | \$12,674,431 | \$ 932,857 | 7.94% |

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 three 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 \$197,237 or 8.18% when compared to last year.

| NAICS Industry Sector | 2022 | 2023 | FY23 vs. FY22 | |
|---|--------------------|--------------------|---------------------|--------------|
| | | | Increase (Decrease) | % Change |
| Motor Vehicle & Parts Dealers | \$ 261,076 | \$ 240,057 | \$ (21,019) | -8.05% |
| Electronics | 40,263 | 31,504 | (8,758) | -21.75% |
| Building Material and Garden Equipment and Supplies Dealers | 48,076 | 50,764 | 2,688 | 5.59% |
| Clothing and Clothing Accessories Stores | 73,441 | 79,426 | 5,985 | 8.15% |
| Sporting Goods | 43,834 | 40,020 | (3,814) | -8.70% |
| General Merchandise Stores | 49,930 | 49,185 | (744) | -1.49% |
| Miscellaneous Store Retailers | (1,882) | 89,844 | 91,725 | -4874.84% |
| Nonstore Retailers | 1,055,355 | 1,080,792 | 25,437 | 2.41% |
| Retail Trade - Other | 95,455 | 75,451 | (20,004) | -20.96% |
| Construction | 23,659 | 17,982 | (5,677) | -24.00% |
| Manufacturing | 94,016 | 107,366 | 13,350 | 14.20% |
| Wholesale Trade | 255,787 | 316,523 | 60,736 | 23.74% |
| Information | 100,691 | 132,445 | 31,754 | 31.54% |
| Real Estate and Rental and Leasing | 60,029 | 57,105 | (2,924) | -4.87% |
| Professional Services | 97,071 | 113,961 | 16,890 | 17.40% |
| Other Services (Except Public Administration) | 30,024 | 34,576 | 4,552 | 15.16% |
| Miscellaneous | 83,646 | 90,707 | 7,061 | 8.44% |
| Grand Total | \$2,410,471 | \$2,607,707 | \$ 197,237 | 8.18% |

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.

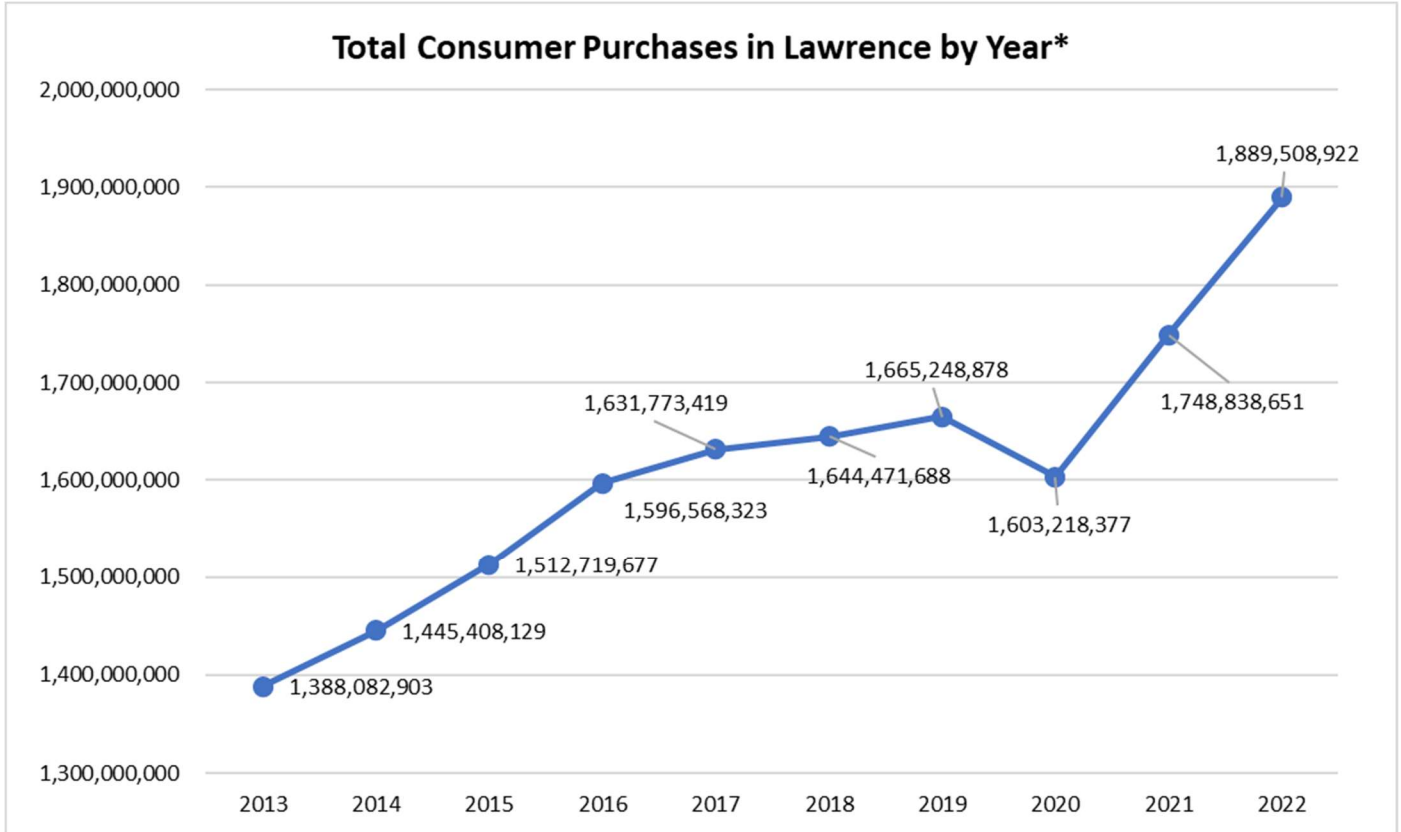
The TDD and TIF districts within the City are used to reimburse a developer for approved improvements. The receipts for the TDD and TIF are receipted into separate funds. Further performance information on the Districts may be found in the City's economic development reports <https://lawrenceks.org/ed/>.

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

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

May 26, 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 06/01/2023. The details are as follows:

| Detail Description | County | Amount |
|--|---------|-----------------------|
| May 2023 Compensating Use Tax | | |
| City Tax File | Douglas | 453,092.82 |
| City Share From County Tax | Douglas | 206,408.32 |
| Total for May 2023 Compensating Use Tax: | | \$659,501.14 |
| May 2023 Sales Tax | | |
| City Tax File | Douglas | 2,536,459.87 |
| City Share From County Tax | Douglas | 1,030,852.46 |
| Total for May 2023 Sales Tax: | | \$3,567,312.33 |
| May 2023 Transportation Dev Dist Tax | | |
| Lawrence Transportation | Douglas | 46,448.28 |
| Lawrence 2 Transportation | Douglas | 7,111.33 |
| Lawrence 9thnh Transport | Douglas | 4,554.65 |
| Total for May 2023 Transportation Dev Dist Tax: | | \$58,114.26 |
| Grand Total Amount: | | \$4,284,927.73 |

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