

Sales Tax and The Evolving Retail Environment

TRENDS AND CHALLENGES

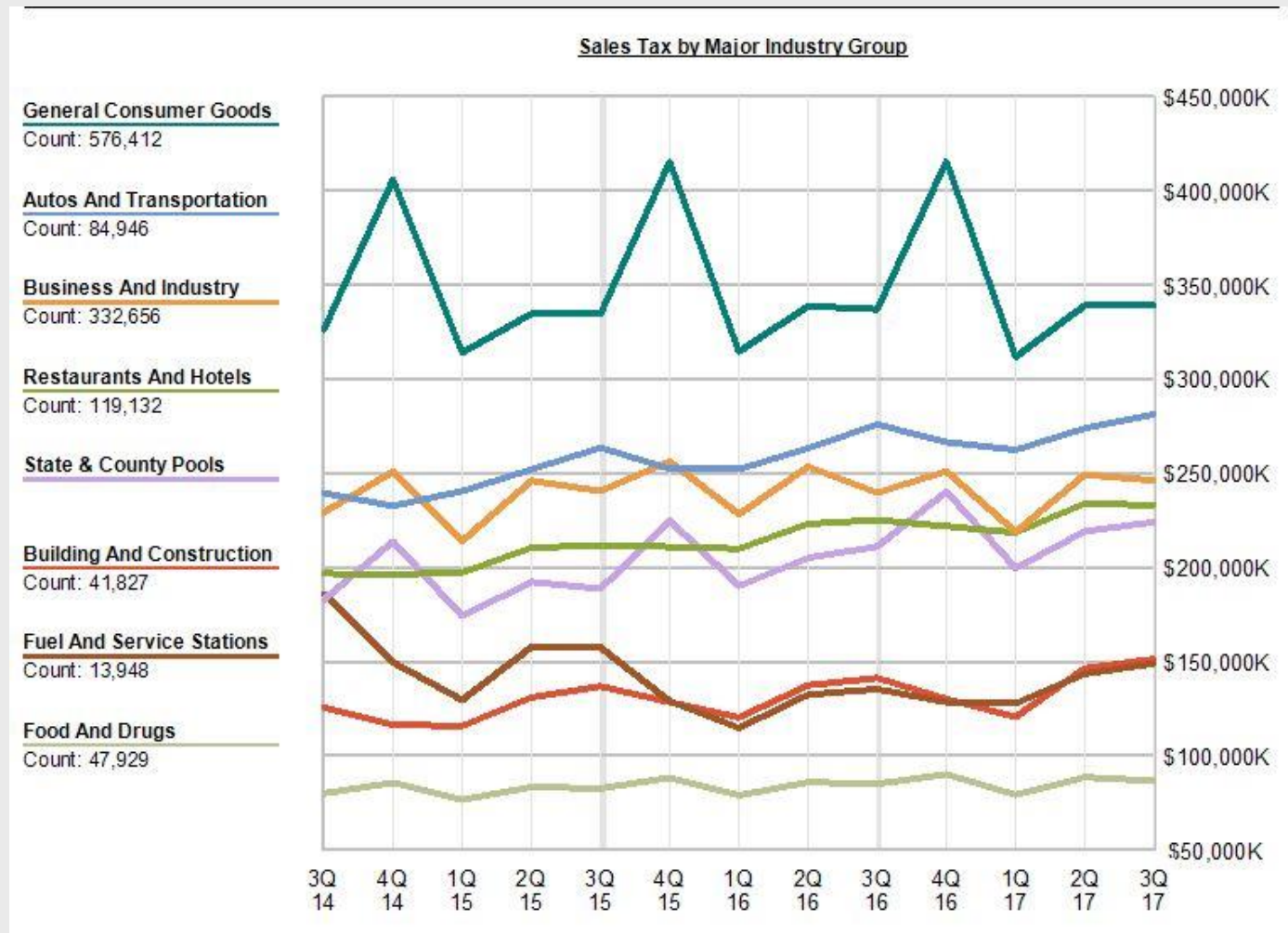
CALIFORNIA SOCIETY MUNICIPAL FINANCE OFFICERS

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BRADLEY-BURNS SALES AND USE TAX

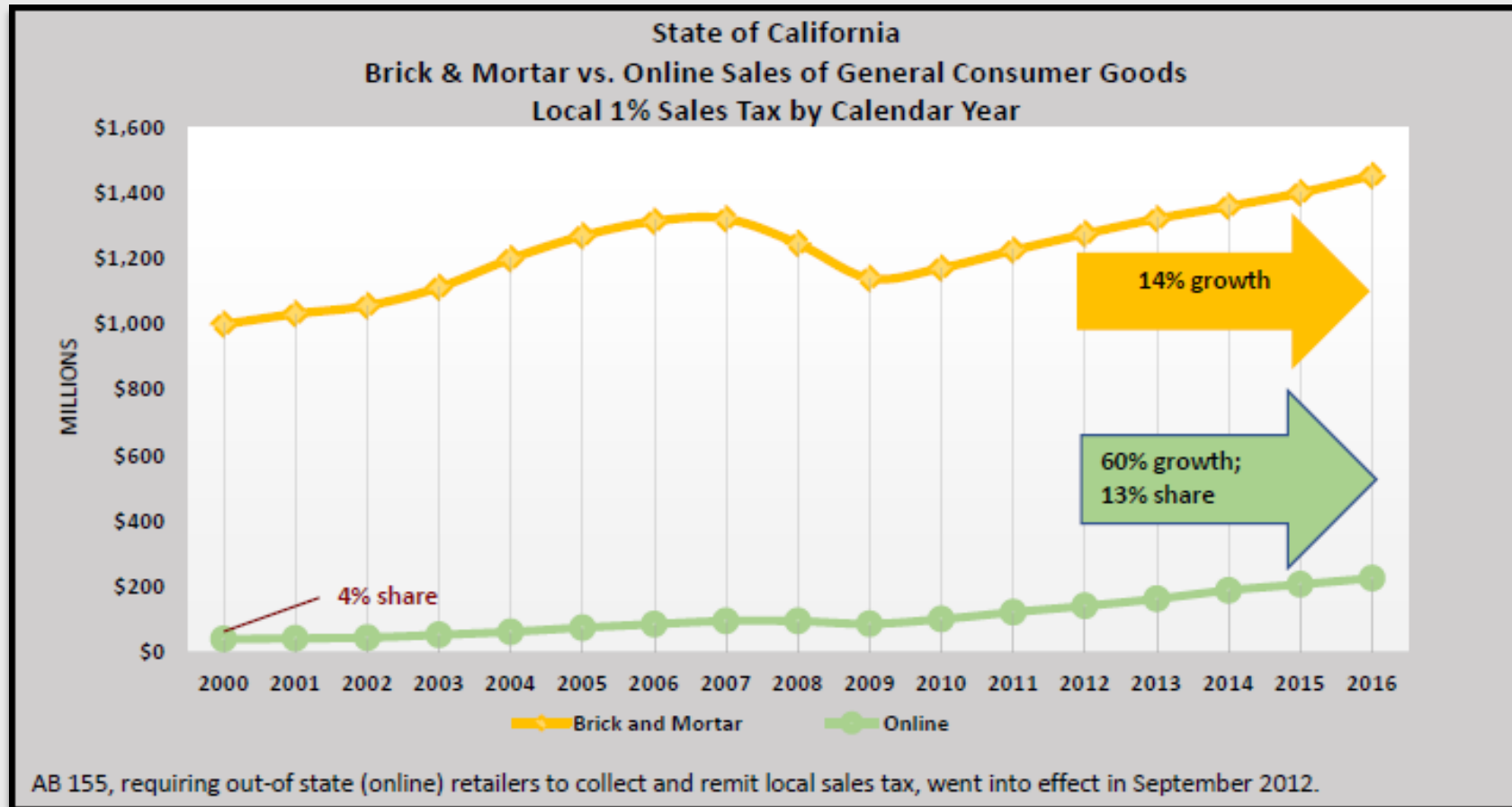
Statewide Three Year Trend



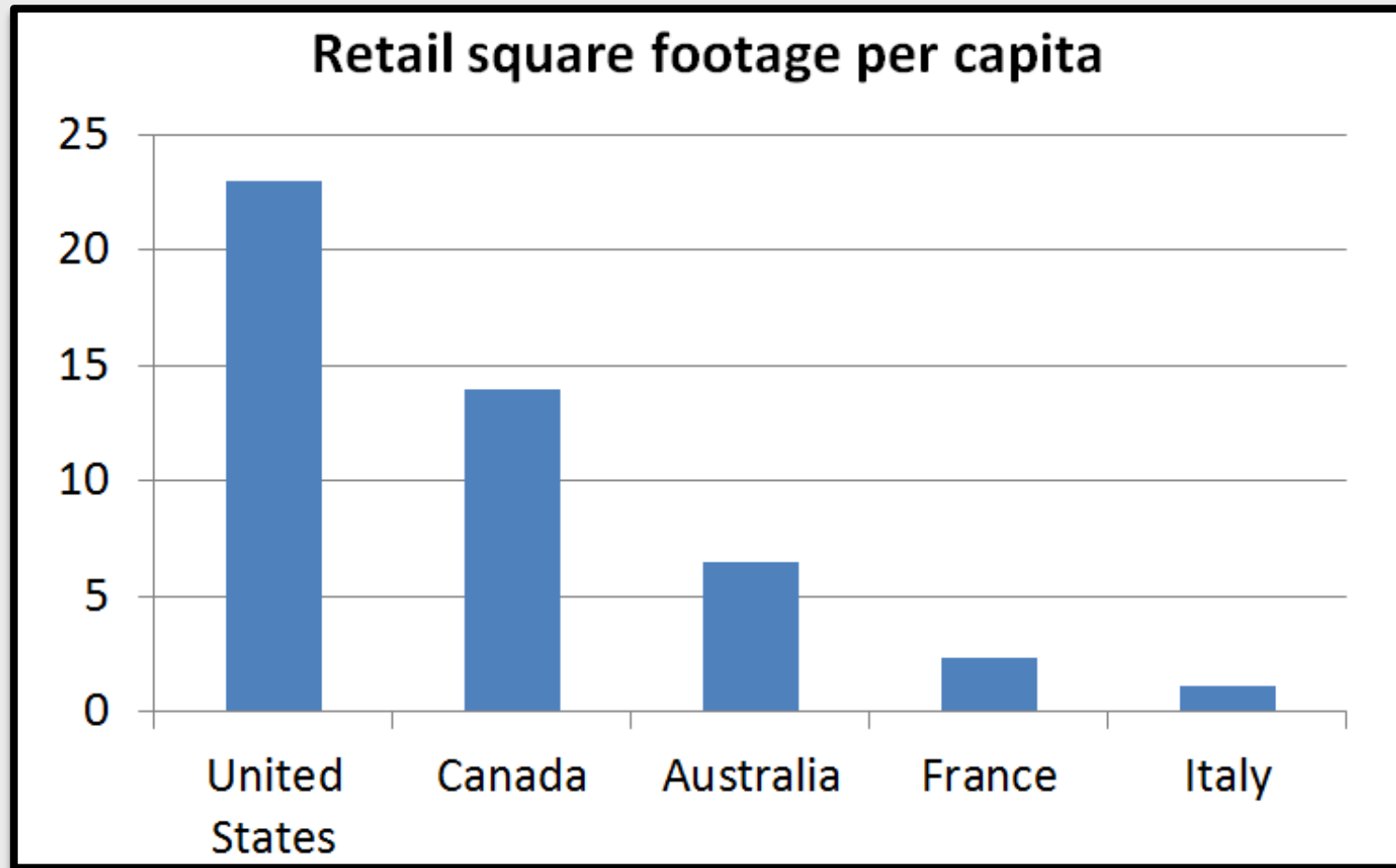
CHALLENGE #1 – Changing Shopping Habits

- **Digital Downloads** – *no sales tax*
- **Social Networking** – *no sales tax*
- **Focus on Experiences** – *little sales tax: travel, gyms, classes, entertainment*
- **Extreme Price Awareness** – *ouch!*
- **Sharing Economy** – *no sales tax*

CHALLENGE #2 – Consumers are moving online



CHALLENGE #3 – Too Many Stores



THE EVOLUTION IN RETAIL

- Fewer stores
- Smaller, more efficient footprints
- “Omni-Channel” retailing
- “Retailtainment”: Ambiance, Emotion, Sound, Food.
- Industry supplanting brick and mortar



*Where there is
chaos, there is
opportunity.*

- **Brick and Mortar not going away.**
See, touch, and feel will always be important
- **Smaller footprint stores can accommodate previously ignored markets.**
- **Main Street back in vogue.**
New opportunities to rebuild downtowns and community shopping centers
- **Industry is the new retail.**

What Successful Cities are Doing.....

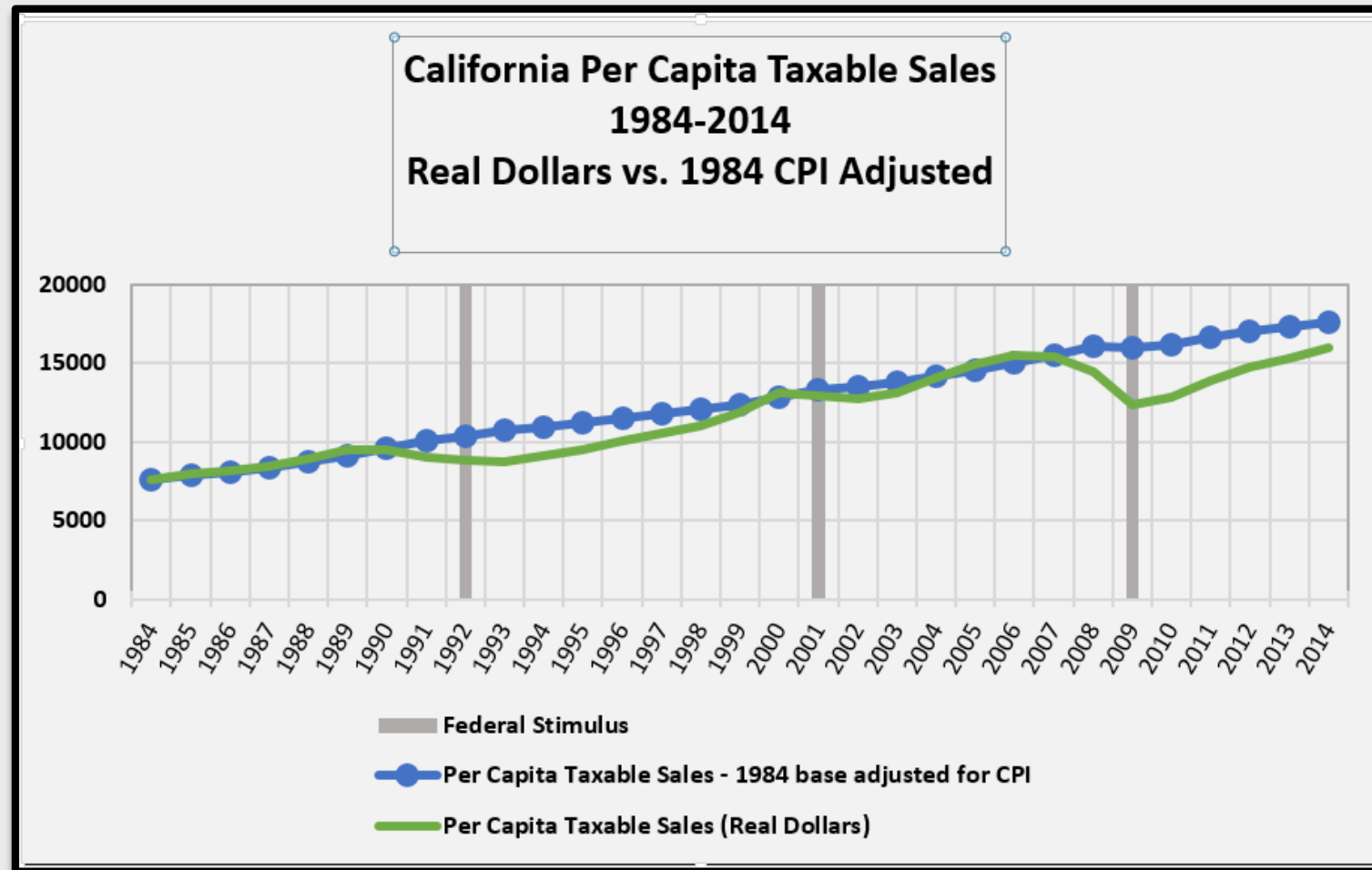
- **Realistic trade area assessments.**
- **Understands Retailer Site Criteria.**
- **Fosters Personal Relationships.**Key property owners and brokers, Existing Business Owners, Lending Institutions
- **Creates a vision – Retail and industrial tenant mix plans and strategies.**

BIGGEST CHALLENGE – The Tax is Obsolete!

- No longer reflects this century's economy
- Narrow base + high rate is regressive
- Consolidation “points of sale” reduces tax payer benefit



THE TAX IS NOT KEEPING UP WITH INFLATION



THE BOTTOM LINE

- **Slower sales tax growth in the future**
- **Economic development game will require greater sophistication** - *Focused, balanced, and strategic – retail and industrial – credible data*
- **Ultimate solution – Tax Reform** - *Lower rates and broaden base by taxing this century's economy / allocate to buyer's jurisdiction rather than to place of order*

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