



## City Council Staff Report

**From: City Manager**

**Report Type: INFORMATION REPORTS**

**Lead Department: Administrative Services**

**Meeting Date: May 1 2023**

Report #:2303-1183

### **TITLE**

Sales Tax Digest Summary Calendar 2022 Q4 (October 2022 – December 2022)

### **DISCUSSION**

This report transmits information regarding the City of Palo Alto's sales tax receipts for the fourth quarter (October to December) of 2022.

There are two attachments to this report that provide further and more detailed levels of information:

1. City of Palo Alto Sales Tax Digest Summary 2022 Q4 (Attachment A)
2. California Legislative Update for Local Taxes (Attachment B)

The City's sales tax cash receipts of \$9.6 million for the fourth quarter (October to December 2022) is \$594,000 (6.6%) higher than the same quarter of the prior year (see Attachment A, Historical Analysis by Calendar Quarter). This increase includes late payment anomalies related to the state sales tax extension program. When adjusted for nonperiod related payments, the overall economic quarter over quarter sales tax activity (Q4 2021 to Q4 2022) in Palo Alto increased by 7.2%. This is likely due to higher prices of goods and services as a result of inflation and a combination of recovery and other factors (consumers, businesses, and organizations getting back to pre-pandemic trends along with non- pandemic related business performance changes). Generally, the pace of the City's recovery from the pandemic has lagged compared to other regions. Growth for the state and Northern California reflects inflationary growth while the growth reported for the City reflects both inflationary growth and lagged recovery.

For the year ending in the fourth quarter of 2022, cash receipts (including county pools) for the City increased by 13.4% from the prior year. In comparison, statewide increased by 8.1% and Northern California increased by 7.4%.

After adjustments for non-period related payments, the overall economic sales tax activity in Palo Alto for the year increased by 14.8%, while it increased 2.5% for the state and decreased 5.9% in Northern California. Both the state and Northern California did not see as significant sales tax decline compared to the City and overall recovered ahead of the City. The City's economic sales tax loss bottomed out at a 25.9% decline (calendar 2021 Q1), while the state and Northern California experienced 17.4% and 18.8% declines, respectively, during the same quarter.

The fourth quarter includes \$1.8 million of sales tax receipts from the county pool. The City's share of the county pool for this quarter is 6.2%, up from 5.9% in the fourth quarter of 2021. County pools are primarily from online purchases from out-of-state companies, remote sellers who ship merchandise to California/ County destinations, and private vehicle sales that are not directly allocated to a jurisdiction. County pools are allocated to local jurisdictions based on each jurisdiction's share of total sales taxes.

#### **ATTACHMENTS**

Attachment A - City of Palo Alto Sales Tax Digest Summary, 2022 Q4

Attachment B - California Legislative Update for Local Taxes

#### **APPROVED BY:**

Kiely Nose, Assistant City Manager