Beverly Hills

In Brief

Beverly Hills’ receipts from April through June were 9.0% above 2015’s second quarter amounts but after factoring out reporting aberrations, actual sales were up 0.5%.

The disparity between cash receipts and actual sales was mainly due to an erroneous takeaway in the business and industry category that temporarily lowered revenues in the comparison quarter. The error has since been corrected.

Moderate gains among the general consumer goods, restaurants and hotels, food-drugs and building-construction segments were largely offset by declines in the autos-transportation and fuel-service station groups. Net of accounting adjustments, results from the business and industry group were also down for the period as use tax payments and onetime sales events in the comparison period were not repeated.

Quarterly totals were also helped by an unusually large increase in the City’s countywide use tax pool allocation; the jump was partly due to a large retroactive correction.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.1% over the comparable time period; the Southern California region was up 1.6%.

SALES TAX BY MAJOR BUSINESS GROUP

<table>
<thead>
<tr>
<th>Business Group</th>
<th>2nd Quarter 2015</th>
<th>2nd Quarter 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Consumer Goods</td>
<td></td>
<td></td>
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<tr>
<td>Restaurants and Hotels</td>
<td></td>
<td></td>
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<tr>
<td>Autos and Transportation</td>
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<tr>
<td>County and State Pools</td>
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<tr>
<td>Food and Drugs</td>
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<tr>
<td>Fuel and Service Stations</td>
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<tr>
<td>Building and Construction</td>
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</tbody>
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Top 25 Producers

In Alphabetical Order

Audi Beverly Hills
Barneys
Beverly Hills Hotel
Beverly Hilton Hotel
Beverly Wilshire Hotel
Cartier
Chanel
Christian Dior
Daimler Trust
Ferrari of Beverly Hills
Gucci
Hermes
Jim Falk Lexus of Beverly Hills
Louis Vuitton
Mastros Steakhouse
McLaren Beverly Hills
Mercedes Benz of Beverly Hills
Neiman Marcus
Porsche Leasing
Saks Fifth Ave
Tom Ford
Tory Burch
Toyota Lease Trust
XIV Karats
Yves Saint Laurent

Revenue Comparison

One Quarter – Fiscal Year To Date

<table>
<thead>
<tr>
<th></th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point-of-Sale</td>
<td>$6,557,774</td>
<td>$7,025,399</td>
</tr>
<tr>
<td>County Pool</td>
<td>852,978</td>
<td>1,054,587</td>
</tr>
<tr>
<td>State Pool</td>
<td>5,520</td>
<td>2,464</td>
</tr>
<tr>
<td>Gross Receipts</td>
<td>$7,416,272</td>
<td>$8,082,450</td>
</tr>
<tr>
<td>Less Triple Flip*</td>
<td>$(1,854,068)</td>
<td>$0</td>
</tr>
</tbody>
</table>

*Reimbursed from county compensation fund
California Overall
Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows
With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation’s highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California’s opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:
Eliminate much of the $11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:
Converting to destination sourcing, already in use in the state’s transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century’s economy could make California a long-term “loser” in competing with states with lower overall tax rates.