

City of Boulder

Sales & Use Tax Revenue Report

February 2016

Issued April 18, 2016

This report provides information and analysis related to 2016 Year-to-Date (YTD) sales and use tax collections. Results are for actual sales activity through the month of February, the tax on which is received by the city in the subsequent month. Historically, January and February have been erratic months for receipt of these revenue compared to other months of the year. Therefore, comparing January or February revenues with prior year receipts will indicate very little about trends for taxable sales activity later in 2016. This year there were new processes to implement and learn while processing the January tax returns. It was the first year on the new financial accounting system, as expected new challenges arose, and had to be resolved. There additional time it took to complete the year-end processing meant the February report would have come out a few days later. Since the combined amounts for January and February are a better reflection of what is actually happening there will be no January report this year. For clarification of any information in this report, please contact Patrick Brown, Revenue & Licensing Officer, at (303) 441-3921 or brownp@bouldercolorado.gov.

A more detailed analysis will be included in the March 2016 report and will include information related to the first quarter of the year.

REVENUE COMPARISONS TO COMPARABLE PERIOD IN PRIOR YEAR

As reflected in Table 1, Sales and Use Tax has increased from the comparable 2015 base by 17.03%. While the total number is strong, the change in retail sales tax will need to be watched closely. More detail is provided in the retail sales tax section below.

**TABLE 1
ACTUAL SALES AND USE TAX REVENUE**

TAX CATEGORY	% CHANGE IN REVENUE Increase/(Decrease)	% OF TOTAL
Sales Tax	1.18%	69.77%
Business/Consumer Use Tax	69.76%	14.68%
Construction Use Tax	151.17%	12.72%
Motor Vehicle Use Tax	1.58%	2.83%
Total Sales & Use Tax	17.03%	100.00%

Any time a new commodity (such as recreational marijuana) becomes taxable, it generates additional revenue and increases the prior year revenue "base," but the percentage increase in revenue may distort perception of the strength of the underlying economy. For that reason, Table 2 is presented to illustrate sales and use tax revenue excluding the incremental revenue of 3.5% from the sale of recreational marijuana.

Apparel Stores - YTD retail sales were up by 14.00%. The fluctuation from January to February is attributed to the timing of receipts received in 2016 as compared to 2015.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
53.45%	(7.20%)										

General Retail sales are down by 2.91% YTD. The fluctuation from January to February is attributed to the timing of receipts received in 2016 as compared to 2015.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
9.89%	(14.03%)										

Public Utilities (primarily retail sales tax on natural gas and electricity) are down by 6.05% YTD. Tax on Public Utilities comprises over 4% of total sales and use tax revenue. Even if rates increase, the direction for this category may be uncertain if conservation strategies are successful and businesses significantly cut their energy use. According to a 2006 study by the City of Boulder, commercial and industrial sector energy use makes up 83% of Boulder’s energy use.

TOTAL MARIJUANA REVENUE

The latest new revenue categories for the City of Boulder are the sale of both medical and recreational marijuana. These sources represented 0.77% and 1.87% of the total sales/use tax collected respectively in 2015.

The sale of medical marijuana generates:

- 3.86% sales and use tax on product sales paid by the purchaser and/or costs of any construction materials, furniture, fixtures, or equipment paid by the business.

The sale of recreational marijuana generates:

- 7.36% sales tax on product sales paid by the purchaser (3.86% base and 3.50% additional).
- 7.36% use tax on the cost of any construction materials, furniture, fixtures, or equipment paid by the business (3.86% base and 3.50% additional).
- A 5.00% excise tax paid by the grow facility when shipping product to dispensaries and/or marijuana infused product facilities.
- A "share-back" of certain State of Colorado revenue. The State collects a 10.00% tax on recreational marijuana sales and "shares back" 15.00% of that 10.00% to each city where such revenue is generated.

A summary of all year-to-date 2015 marijuana related revenue follows:

Total February YTD Marijuana Related Revenue			
Medical marijuana:			
3.86% Sales/Use Tax	\$122,579		
Sub-total Medical marijuana revenue		\$122,579	
Recreational marijuana			
3.86% Base Sales/Use Tax	219,067		
3.50% Additional Sales/Use Tax	198,601		
5.00% Excise Tax	137,446		
State Share-back	82,169		
Sub-total Recreational Marijuana revenue		\$637,283	
TOTAL MARIJUANA RELATED REVENUE			\$759,862

The tax generated by the base 3.86% for both medical and recreational marijuana are distributed to City funds based upon various past voter decisions. The new incremental revenues generated by recreational marijuana are all deposited in the general fund and are dedicated to cover incremental costs related to the sale and use of marijuana in the City of Boulder no matter which fund incurs the cost. Year-to-date collections for these dedicated revenue sources follow:

Total February YTD "Incremental" Recreational Marijuana Related Revenue		
3.50% Additional Sales/Use Tax	\$198,601	
5.00% Excise Tax	137,446	
State "Share-back"	82,169	
TOTAL "INCREMENTAL" RECREATIONAL MARIJUANA REVENUE		\$418,216

Medical Marijuana Retail Sales Tax

Total February YTD retail sales tax revenue collected in this category is down by 46.18% from the same period in 2015. We continue to see the migration from medical to recreational sales. This began to occur during 2015. The retail percentage change by month is presented below.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
(57.20%)	(33.67%)										

Recreational Marijuana Retail Sales Tax

Total February YTD retail sales tax revenue collected in this category is up by 65.61% from the same period in 2015. The retail percentage change by month is presented below.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
29.67%	105.41%										

Significant YTD increases / decreases by sales/use tax category are summarized in Table 3.

TABLE 3

2016 YTD RETAIL SALES TAX (% Change in Comparable YTD Collections)	
STRENGTHS: <ul style="list-style-type: none"> ▪ Food Stores up by 1.50% ▪ Eating Places up by 9.12% ▪ Apparel Stores up by 14.00% ▪ Home Furnishings up by 7.98% ▪ Building Material Retail up by 7.70% ▪ Consumer Electronics up by 9.12% ▪ Recreational Marijuana up by 65.61% ▪ All Other up by 1.03% ▪ Downtown up by 11.14% ▪ Downtown Extension up by 5.83% ▪ UHGID (the "hill") up by 0.22% ▪ N. Broadway Annex up by 13.96% ▪ University of Colorado up by 1.98% ▪ Basemar up by 10.41% ▪ BVRC (excl 29th St) up by 0.54% ▪ Twenty-Ninth St up by 5.86% ▪ Table Mesa up by 4.22% ▪ The Meadows up by 25.33% ▪ All Other Boulder up by 16.88% ▪ Boulder County up by 15.17% 	WEAKNESSES: <ul style="list-style-type: none"> ▪ General Retail down by 2.91% ▪ Transportation/Utilities down by 5.93% ▪ Automotive Trade down by 2.55% ▪ Computer Related Business down by 42.09% ▪ Medical Marijuana down by 46.18% ▪ N. 28th St Commercial down by 6.83% ▪ Metro Denver down by 4.79% ▪ Gunbarrel Industrial down by 1.05% ▪ Boulder Industrial down by 10.83%

<ul style="list-style-type: none"> ▪ Gunbarrel Commercial up by 5.70% ▪ Pearl Street Mall up by 4.88% 	
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2015 USE TAX (% Change in YTD Comparable Collections)	
STRENGTHS: <ul style="list-style-type: none"> ▪ Construction Use Tax up by 151.17% (when adjusted to exclude dedicated Boulder Junction tax in both years, up by 34.34%) ▪ Motor Vehicle Use Tax up by 1.58% ▪ Business Use Tax up by 69.76% 	WEAKNESSES <ul style="list-style-type: none"> ▪

BUSINESS USE TAX

February YTD Business Use Tax is up by 69.76%. This tax category can be very volatile as it is associated primarily with the amount and timing of purchase of capital assets by businesses in the city and the amount and timing of audit revenue. A significant portion of this amount is one time in nature and is not expected to reoccur in future months. Therefore, it is expected that the year-to-date increase will come back to expectations in future months.

MOTOR VEHICLE USE TAX

February YTD Motor Vehicle Use Tax is up by 1.58%, this tax category applies to the purchase of vehicles registered in the city. As individuals and businesses became more confident about jobs and the economy, they have replaced their vehicles and thus reduced the average age of their fleet. Nationally, sales have slowed. If this trend continues we may see revenue in this category flatten or even decrease for the total year.

CONSTRUCTION USE TAX

Construction Use Tax is up by 151.17% YTD. This is another very volatile tax category as it depends upon the number and timing of construction projects in any given period. Revenue in this category assumes "base" number of projects will continue indefinitely, plus revenue from large projects in the "pipeline" (based upon a review of information from the City Planning Department and the CU Capital Improvement Plan). Even when we know projects are pending, the timing of payment of Construction Use Tax is unknown. It can occur in the prior or subsequent year to the planned construction date. While there have been several large construction projects in the City it is known this level of activity cannot continue forever. Therefore, it is important that we not commit to ongoing operating expenses from this revenue source, as it will eventually decline. February YTD dollars includes significant revenue from permitting related to construction of below-grade parking structures, office buildings and a hotel.

ACCOMMODATION TAX

February YTD Accommodation Tax revenue is up by 14.89% from the same period in 2015. This increase is attributed to the timing of receipts received in 2016 as compared to 2015.

ADMISSIONS TAX

Year-to-date 2016 Admission Tax revenue is down by 7.69% from the same period in 2015. Admissions Tax collections are dependent on the number of taxable productions and events held in the City and the level of attendance at such events.

TRASH TAX

February YTD Trash Tax receipts are down by 39.25%. On-going Trash Tax remittances are due on a quarterly basis. This decrease is due to timing differences of receipts received in 2016 as compared to 2015.

SHORT-TERM RENTAL (ACCOMMODATIONS) TAX

Pursuant to a vote in November 2015, for January 2016 YTD, the newly enacted Short-Term Rental Tax (homeowners renting out their property for less than 30 days at a time (7.50% tax rate)) has generated \$3,616. As of the date of this report, 141 Short Term Rental licenses have been issued.

Total Net Sales/Use Tax Receipts by Tax Category	FEBRUARY YTD Actual			
	2015	2016	% Change	% of Total
Sales Tax	14,525,503	14,697,474	1.18%	69.77%
Business Use Tax	1,821,340	3,091,880	69.76%	14.68%
Construction Use Tax	1,067,187	2,680,451	151.17%	12.72%
Motor Vehicle	587,558	596,818	1.58%	2.83%
Total Sales and Use Tax	18,001,588	21,066,623	17.03%	100.00%

Total Net Sales/Use Tax Receipts by Industry Type	FEBRUARY YTD Actual			
	2015	2016	% Change	% of Total
Food Stores	2,786,220	2,824,075	1.36%	13.41%
Eating Places	2,362,788	2,582,427	9.30%	12.26%
Apparel Stores	515,151	602,743	17.00%	2.86%
Home Furnishings	420,398	452,330	7.60%	2.15%
General Retail	3,387,988	4,973,647	46.80%	23.61%
Transportation/Utilities	1,581,632	1,468,656	-7.14%	6.97%
Automotive Trade	1,360,083	1,353,292	-0.50%	6.42%
Building Material - Retail	520,340	552,998	6.28%	2.62%
Construction Sales / Use Tax	1,048,722	2,535,785	141.80%	12.04%
Consumer Electronics	353,181	377,358	6.85%	1.79%
Computer Related Business Sector	1,309,428	836,754	-36.10%	3.97%
Rec Marijuana	251,262	417,668	66.23%	1.98%
Medical Marijuana	252,410	122,579	-51.44%	0.58%
All Other	1,851,987	1,966,310	6.17%	9.33%
Total Sales and Use Tax	18,001,588	21,066,623	17.03%	100.00%

Total Net Sales/Use Tax Receipts by Geographic Area	FEBRUARY YTD Actual			
	2015	2016	% Change	% of Total
North Broadway	220,054	221,724	0.76%	1.08%
Downtown	1,156,061	1,466,282	26.83%	7.51%
Downtown Extension	109,312	120,801	10.51%	0.56%
UHGID (the "hill")	192,705	194,244	0.80%	0.84%
East Downtown	108,751	121,197	11.44%	0.47%
N. 28th St Commercial	1,011,569	958,934	-5.20%	3.61%
N. Broadway Annex	58,583	67,674	15.52%	0.28%
University of Colorado	274,783	281,313	2.38%	2.19%
Basemar	349,202	388,842	11.35%	1.96%
BVRC-Boulder Valley Regional Center	4,011,499	5,124,663	27.75%	28.28%
29th Street	1,229,908	1,410,819	14.71%	7.48%
Table Mesa	444,333	470,091	5.80%	2.28%
The Meadows	217,089	265,087	22.11%	1.23%
All Other Boulder	1,407,404	1,256,223	-10.74%	6.25%
Boulder County	120,061	127,986	6.60%	0.64%
Metro Denver	449,193	468,274	4.25%	2.14%
Colorado All Other	42,476	74,184	74.65%	0.26%
Out of State	1,566,638	1,830,528	16.84%	8.00%
Airport	3,599	40,129	1015.00%	0.08%
Gunbarrel Industrial	1,080,959	2,217,788	105.17%	5.27%
Gunbarrel Commercial	226,086	239,380	5.88%	1.06%
Pearl Street Mall	467,957	488,328	4.35%	2.27%
Boulder Industrial	1,623,826	1,650,699	1.65%	8.46%
Unlicensed Receipts	55,532	56,656	2.02%	0.00%
County Clerk	587,558	596,818	1.58%	2.96%
Public Utilities	986,450	927,960	-5.93%	4.83%
Total Sales and Use Tax	18,001,588	21,066,623	17.03%	100.00%

Miscellaneous Tax Statistics	FEBRUARY YTD Actual		
	2015	2016	% Change
Food Service Tax	94,700	104,120	9.95%
Accommodations Tax	717,010	823,808	14.89%
Admissions Tax	96,400	88,989	-7.69%
Trash Tax	8,878	5,393	-39.25%
Disposable Bag Fee	1,555	5,543	256.46%
Rec Marijuana Excise Tax	132,689	137,446	3.59%
Short-Term Rental Tax	-	3,616	

COMPARISON OF YEAR-TO-DATE ACTUAL REVENUE FOR THE YEAR 2016 TO COMPARABLE PERIOD IN 2015

USE TAX BY CATEGORY			Standard Industrial Code	SALES TAX BY CATEGORY		
FEBRUARY YTD Actual				FEBRUARY YTD Actual		
2015	2016	% Change		2015	2016	% Change
15,858	12,192	-23.12%	Food Stores	2,770,361	2,811,882	1.50%
41,818	49,891	19.31%	Eating Places	2,320,969	2,532,536	9.12%
2,529	18,375	626.57%	Apparel Stores	512,621	584,368	14.00%
3,889	2,572	-33.86%	Home Furnishings	416,509	449,758	7.98%
285,677	1,961,638	586.66%	General Retail	3,102,312	3,012,009	-2.91%
58,762	36,140	-38.50%	Transportation/Utilities	1,522,869	1,432,516	-5.93%
596,722	609,385	2.12%	Automotive Trade	763,361	743,907	-2.55%
8,738	1,992	-77.20%	Building Material - Retail	511,603	551,005	7.70%
1,011,146	2,469,120	144.19%	Construction Sales / Use Tax	37,576	66,665	77.41%
14,930	8,275	-44.57%	Consumer Electronics	338,251	369,083	9.12%
933,516	619,060	-33.69%	Computer Related Business Sector	375,912	217,694	-42.09%
3,353	7,109	112.02%	Rec Marijuana	247,909	410,559	65.61%
27,181	1,362	-94.99%	Medical Marijuana	225,229	121,218	-46.18%
471,966	572,037	21.20%	All Other	1,380,021	1,394,273	1.03%
3,476,085	6,369,149	83.23%	Total Sales and Use Tax	14,525,503	14,697,474	1.18%

USE TAX BY CATEGORY			Geographic Code	SALES TAX BY CATEGORY		
FEBRUARY YTD Actual				FEBRUARY YTD Actual		
2015	2016	% Change		2015	2016	% Change
11,483	4,142	-63.93%	North Broadway	208,571	217,582	4.32%
173,005	373,701	116.01%	Downtown	983,055	1,092,580	11.14%
4,139	9,500	129.52%	Downtown Extension	105,173	111,301	5.83%
463	1,570	239.09%	UHGD (the "hill")	192,242	192,674	0.22%
5,091	18,518	263.74%	East Downtown	103,661	102,679	-0.95%
17,619	32,850	86.45%	N. 28th St Commercial	993,950	926,084	-6.83%
1,561	2,688	72.20%	N. Broadway Annex	57,022	64,985	13.96%
0	1,100	#DIV/0!	University of Colorado	274,783	280,213	1.98%
8,681	12,858	48.12%	Basemar	340,520	375,983	10.41%
206,574	1,299,235	528.94%	BVRC-Boulder Valley Regional Center	3,804,925	3,825,427	0.54%
7,732	116,995	1413.13%	29th Street	1,222,176	1,293,824	5.86%
6,328	13,605	115.00%	Table Mesa	438,005	456,486	4.22%
6,946	1,712	-75.35%	The Meadows	210,142	263,375	25.33%
912,768	678,102	-25.71%	All Other Boulder	494,637	578,121	16.88%
23,881	17,218	-27.90%	Boulder County	96,180	110,768	15.17%
46,146	84,545	83.21%	Metro Denver	403,047	383,729	-4.79%
7,777	24,892	220.07%	Colorado All Other	34,698	49,292	42.06%
71,798	327,731	356.46%	Out of State	1,494,840	1,502,798	0.53%
356	34,558	9607.30%	Airport	3,243	5,571	71.79%
933,801	2,072,181	121.91%	Gunbarrel Industrial	147,158	145,607	-1.05%
582	1,023	75.77%	Gunbarrel Commercial	225,504	238,357	5.70%
8,040	5,986	-25.55%	Pearl Street Mall	459,917	482,342	4.88%
426,437	583,023	36.72%	Boulder Industrial	1,197,389	1,067,676	-10.83%
-5,167	40,483	-883.49%	Unlicensed Receipts	60,698	16,173	-73.35%
587,558	596,818	1.58%	County Clerk	0	0	
12,484	14,114	13.06%	Public Utilities	973,966	913,846	-6.17%
3,476,085	6,369,149	83.23%	Total Sales and Use Tax	14,525,503	14,697,474	1.18%

