

City of Boulder

Sales & Use Tax Revenue Report

June 2016

Issued August 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 June, the tax on which is received by the city in the subsequent month. For clarification of any information in this report, please contact Patrick Brown, Revenue & Licensing Officer, at (303) 441-3921 or brownp@bouldercolorado.gov.

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 5.32%. Please note Boulder Junction's Construction Use Tax revenue is included in the table below.

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

TAX CATEGORY	% CHANGE IN REVENUE Increase/(Decrease)	% OF TOTAL
Sales Tax	2.28%	74.99%
Business/Consumer Use Tax	17.14%	10.87%
Construction Use Tax	16.16%	11.25%
Motor Vehicle Use Tax	8.36%	2.89%
Total Sales & Use Tax	5.32%	100.00%

Since Boulder Junction revenues are dedicated and are not available for other projects or services, total Construction Use Tax percentage change over 2015 (less Boulder Junction) is up 7.07%. Further analysis of building permits showed one of the large permits included in the Boulder Junction area in prior reports was in fact right outside the area. Processes have been put into place to minimize the risk of this error happening again. Boulder Junction numbers were adjusted accordingly. Total Sales and Use Tax percentage change over 2015 is 4.39% when adjusted for Boulder Junction revenue. Table 2 reflects Sales and Use Tax percentages without Boulder Junction Construction Use Tax revenue.

**TABLE 2
ACTUAL SALES AND USE TAX REVENUE
WITHOUT BOULDER JUNCTION**

TAX CATEGORY	% CHANGE IN REVENUE Increase/(Decrease)	% OF TOTAL
Sales Tax	2.28%	75.67%
Business/Consumer Use Tax	17.14%	10.97%
Construction Use Tax	7.07%	10.45%
Motor Vehicle Use Tax	8.36%	2.92%
Total Sales & Use Tax	4.39%	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 3 is presented to illustrate sales and use tax revenue excluding the incremental revenue of 3.5% from the sale of recreational marijuana.

TABLE 3
ACTUAL SALES AND USE TAX REVENUE, EXCLUDING THE INCREMENTAL REVENUE
OF 3.50% FROM THE SALE OF RECREATIONAL MARIJUANA

TAX CATEGORY	% CHANGE IN REVENUE Increase/(Decrease)	% OF TOTAL
Sales Tax	2.10%	74.78%
Business/Consumer Use Tax	16.91%	10.94%
Construction Use Tax	16.16%	11.36%
Motor Vehicle Use Tax	8.36%	2.92%
Total Sales & Use Tax	5.18%	100.00%

COMMUNITY, CULTURE AND SAFETY FACILITIES TAX

For June 2016 YTD, the Community, Culture and Safety Tax (an additional 0.30%, effective for 3 years beginning January 1, 2015) generated \$4,598,107. This tax is dedicated to fund a variety of projects in the Civic area along the Boulder Creek Path and on University Hill as well as improvements for several culturally oriented projects.

DETAILED ANALYSIS OF MAJOR CATEGORIES

The following monthly information is provided to identify trends in the various retail categories. While this information is useful, it is important to remember that relatively small aberrations (like the timing of remittances by certain vendors) can make relatively large monthly variances.

Retail Sales Tax – June YTD retail sales tax revenue was up 2.28% from that received in 2015. Retail sales tax started trending downward during the last half of 2015. Fortunately, Retail Sales Tax has been trending up for the last three months outperforming the same period in 2015.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
5.69%	(2.88%)	(2.80%)	1.94%	8.95%	3.63%						

Food Stores - YTD retail sales tax revenue for food stores was up by 2.36% from that received in 2015. The fluctuation from January to February is primarily due to companies who file thirteen four-week periods instead of reporting monthly. Companies who file thirteen four-week periods do so for reporting purposes. Each reporting period will then have the same number of days. Since the city reports monthly, there is one month out of the year where our report contains two filing periods for these companies. February 2016 contained two filing periods.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
(13.86%)	20.32%	0.68%	3.72%	6.89%	0.13%						

Sales at **Eating Places** are both an important revenue source (Eating Places comprise approximately 12.47% of sales/use tax) and are often an indicator of the health of the economy in the city. This discretionary category is often correlated with disposable income and consumer confidence. Total June 2016 YTD retail tax at Eating Places is up by 2.57%.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
5.95%	11.93%	(4.38%)	5.80%	(2.89%)	1.09%						

Apparel Stores - YTD retail sales were down by 0.39%. The fluctuation from January to February is attributed to the timing of receipts received in 2016 as compared to 2015. Several apparel stores showed declined sales from the same period last year. Staff will monitor this category as the year goes on.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
53.45%	(7.20%)	(0.50%)	(10.96%)	2.86%	(9.89%)						

General Retail sales are up by 2.14% 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%)	6.78%	(3.74%)	5.01%	7.54%						

Public Utilities (primarily retail sales tax on natural gas and electricity) are down by 8.41% YTD. Tax on Public Utilities comprises over 3% 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.

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 revenues. 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 2016 marijuana related revenue follows:

Total April YTD Marijuana Related Revenue			
Medical marijuana:			
3.86% Sales/Use Tax	\$439,084		
Sub-total Medical marijuana revenue		\$439,084	
Recreational marijuana			
3.86% Base Sales/Use Tax	682,533		
3.50% Additional Sales/Use Tax	618,770		
5.00% Excise Tax	491,236		
State Share-back	264,325		
Sub-total Recreational Marijuana revenue		\$2,056,864	
TOTAL MARIJUANA RELATED REVENUE			\$2,495,948

The taxes 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 April YTD "Incremental" Recreational Marijuana Related Revenue		
3.50% Additional Sales/Use Tax	\$618,770	
5.00% Excise Tax	491,236	
State "Share-back"	264,325	
TOTAL "INCREMENTAL" RECREATIONAL MARIJUANA REVENUE		\$1,374,331

Medical Marijuana Retail Sales Tax

Total June YTD retail sales tax revenue collected in this category is down by 17.29% 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. Staff is investigating why the sizable increase in June 2016 over June 2015.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
(57.20%)	(33.67%)	(3.11%)	(5.56%)	(13.18%)	38.42%						

Recreational Marijuana Retail Sales Tax

Total June YTD retail sales tax revenue collected in this category is up by 19.10% 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%	14.55%	(1.63%)	4.45%	2.30%						

Significant YTD increases / decreases by sales/use tax category are summarized in Table 4.

TABLE 4

2016 YTD RETAIL SALES TAX (% Change in Comparable YTD Collections)	
STRENGTHS: <ul style="list-style-type: none"> ▪ Food Stores up by 2.36% ▪ Eating Places up by 2.57% ▪ Home Furnishings up by 3.37% ▪ General Retail up by 2.14% ▪ Building Material Retail up by 5.13% ▪ Consumer Electronics up by 25.66% ▪ Recreational Marijuana up by 19.10% ▪ All Other up by 7.57% ▪ North Broadway up by 4.59% ▪ Downtown up by 13.61% ▪ UHGID (the "hill") up by 0.31% ▪ East Downtown up by 5.88% ▪ N. Broadway Annex up by 2.67% ▪ University of Colorado up by 4.48% ▪ Basemar up by 4.80% ▪ Table Mesa up by 3.91% ▪ The Meadows up by 16.62% ▪ All Other Boulder up by 3.95% ▪ Boulder County up by 17.76% ▪ Metro Denver up by 5.81% ▪ Out of State up by 14.10% ▪ Gunbarrel Commercial up by 12.99% ▪ Pearl Street Mall up by 2.17% 	WEAKNESSES: <ul style="list-style-type: none"> ▪ Apparel Stores down by 0.39% ▪ Transportation/Utilities down by 5.13% ▪ Automotive Trade down by 2.66% ▪ Computer Related Business down by 20.46% ▪ Medical Marijuana down by 17.29% ▪ Downtown Extension down by 2.55% ▪ N. 28th St Commercial down by 1.32% ▪ BVRC (excl 29th St) down by 0.71% ▪ Twenty-Ninth St down by 0.99% ▪ Gunbarrel Industrial down by 7.35% ▪ Boulder Industrial down by 8.04%

2015 USE TAX (% Change in YTD Comparable Collections)	
STRENGTHS: <ul style="list-style-type: none"> ▪ Construction Use Tax up by 16.16% (when adjusted to exclude dedicated Boulder Junction tax in both years, up by 7.07%) ▪ Motor Vehicle Use Tax up by 8.36% ▪ Business Use Tax up by 17.14% 	WEAKNESSES

BUSINESS USE TAX

June YTD Business Use Tax is up by 17.14%. 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

June YTD Motor Vehicle Use Tax is up by 8.36%, 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 16.16% YTD which includes Boulder Junction revenues. By reducing the Boulder Junction revenue from the total Construction Use Tax, Construction Use Tax is higher than 2015 receipts by 7.07%. Construction Use Tax is 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. Year to date dollars includes significant revenue from permitting related to construction of below-grade parking structures, office buildings and several hotels.

ACCOMMODATION TAX

June YTD Accommodation Tax revenue is up by 5.04% from the same period in 2015. This increase is attributed to growth in same stores sales over 2015 and additional hotel/motels opening.

ADMISSIONS TAX

Year-to-date 2016 Admission Tax revenue is down by 10.76% 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

June YTD Trash Tax receipts are up by 74.33%. On-going Trash Tax remittances are due on a quarterly basis. This increase is due to timing of receipts in 2015. The July 2016 Revenue Report will reflect a true comparison of Trash Tax receipts.

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 \$74,558. As of the date of this report, 266 Short Term Rental licenses have been issued.

Total Net Sales/Use Tax Receipts by Tax Category	JUNE YTD Actual			
	2015	2016	% Change	% of Total
Sales Tax	48,187,598	49,285,784	2.28%	74.99%
Business Use Tax	6,100,290	7,145,961	17.14%	10.87%
Construction Use Tax	6,364,510	7,392,751	16.16%	11.25%
Motor Vehicle	1,752,783	1,899,307	8.36%	2.89%
Total Sales and Use Tax	62,405,180	65,723,804	5.32%	100.00%

Total Net Sales/Use Tax Receipts by Industry Type	JUNE YTD Actual			
	2015	2016	% Change	% of Total
Food Stores	8,096,885	8,301,158	2.52%	12.63%
Eating Places	7,959,543	8,194,621	2.95%	12.47%
Apparel Stores	2,143,909	2,154,397	0.49%	3.28%
Home Furnishings	1,496,978	1,543,471	3.11%	2.35%
General Retail	11,856,173	14,567,655	22.87%	22.16%
Transportation/Utilities	4,415,002	4,114,672	-6.80%	6.26%
Automotive Trade	4,195,484	4,273,586	1.86%	6.50%
Building Material - Retail	2,054,716	2,155,674	4.91%	3.28%
Construction Sales / Use Tax	6,037,848	6,571,341	8.84%	10.00%
Consumer Electronics	1,198,721	1,458,935	21.71%	2.22%
Computer Related Business Sector	3,837,318	3,197,762	-16.67%	4.87%
Rec Marijuana	1,067,575	1,301,304	21.89%	1.98%
Medical Marijuana	556,018	439,084	-21.03%	0.67%
All Other	7,489,009	7,450,146	-0.52%	11.34%
Total Sales and Use Tax	62,405,180	65,723,804	5.32%	100.00%

Total Net Sales/Use Tax Receipts by Geographic Area	JUNE YTD Actual			
	2015	2016	% Change	% of Total
North Broadway	\$ 758,508	\$ 784,415	3.42%	1.08%
Downtown	\$ 4,729,558	\$ 6,358,181	34.43%	7.51%
Downtown Extension	\$ 395,455	\$ 416,069	5.21%	0.56%
UHGID (the "hill")	\$ 625,563	\$ 603,296	-3.56%	0.84%
East Downtown	\$ 409,358	\$ 1,252,463	205.96%	0.47%
N. 28th St Commercial	\$ 3,148,931	\$ 3,177,987	0.92%	3.61%
N. Broadway Annex	\$ 240,651	\$ 249,787	3.80%	0.28%
University of Colorado	\$ 490,967	\$ 896,317	82.56%	2.19%
Basemar	\$ 1,680,154	\$ 1,263,706	-24.79%	1.96%
BVRC-Boulder Valley Regional Center	\$ 12,074,718	\$13,074,690	8.28%	28.28%
29th Street	\$ 4,292,424	\$ 4,361,558	1.61%	7.48%
Table Mesa	\$ 1,372,171	\$ 1,453,692	5.94%	2.28%
The Meadows	\$ 542,355	\$ 603,512	11.28%	1.23%
All Other Boulder	\$ 4,684,613	\$ 4,165,824	-11.07%	6.25%
Boulder County	\$ 640,330	\$ 662,679	3.49%	0.64%
Metro Denver	\$ 4,233,726	\$ 2,448,618	-42.16%	2.14%
Colorado All Other	\$ 329,908	\$ 275,106	-16.61%	0.26%
Out of State	\$ 5,252,502	\$ 6,334,177	20.59%	8.00%
Airport	\$ 22,262	\$ 99,773	348.18%	0.08%
Gunbarrel Industrial	\$ 3,370,244	\$ 4,503,615	33.63%	5.27%
Gunbarrel Commercial	\$ 704,662	\$ 798,380	13.30%	1.06%
Pearl Street Mall	\$ 1,802,127	\$ 1,881,921	4.43%	2.27%
Boulder Industrial	\$ 5,990,071	\$ 5,504,123	-8.11%	8.46%
Unlicensed Receipts	\$ 231,484	\$ 219,302	-5.26%	0.00%
County Clerk	\$ 1,752,783	\$ 1,899,307	8.36%	2.96%
Public Utilities	\$ 2,629,653	\$ 2,435,307	-7.39%	4.83%
Total Sales and Use Tax	62,405,180	65,723,804	5.32%	100.00%

Miscellaneous Tax Statistics	JUNE YTD Actual		
	2015	2016	% Change
Food Service Tax	315,343	332,351	5.39%
Accommodations Tax	2,960,278	3,109,428	5.04%
Admissions Tax	306,991	273,956	-10.76%
Trash Tax	513,722	895,590	74.33%
Disposable Bag Fee	127,155	126,963	-0.15%
Rec Marijuana Excise Tax	493,223	491,236	-0.40%
Short-Term Rental Tax	-	74,558	n/a

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		
JUNE YTD Actual				JUNE YTD Actual		
2015	2016	% Change		2015	2016	% Change
48,925	63,372	29.53%	Food Stores	8,047,960	8,237,787	2.36%
105,222	138,281	31.42%	Eating Places	7,854,321	8,056,340	2.57%
6,543	25,365	287.67%	Apparel Stores	2,137,367	2,129,032	-0.39%
10,998	7,463	-32.14%	Home Furnishings	1,485,980	1,536,008	3.37%
1,521,692	4,012,106	163.66%	General Retail	10,334,481	10,555,549	2.14%
226,915	141,450	-37.66%	Transportation/Utilities	4,188,087	3,973,223	-5.13%
1,792,972	1,935,075	7.93%	Automotive Trade	2,402,512	2,338,511	-2.66%
13,582	9,860	-27.40%	Building Material - Retail	2,041,135	2,145,813	5.13%
5,806,784	6,256,117	7.74%	Construction Sales / Use Tax	231,063	315,224	36.42%
64,440	33,570	-47.91%	Consumer Electronics	1,134,281	1,425,364	25.66%
2,481,381	2,119,201	-14.60%	Computer Related Business Sector	1,355,936	1,078,562	-20.46%
11,719	43,779	273.57%	Rec Marijuana	1,055,856	1,257,524	19.10%
34,214	7,484	-78.13%	Medical Marijuana	521,805	431,601	-17.29%
2,092,196	1,644,898	-21.38%	All Other	5,396,813	5,805,247	7.57%
14,217,582	16,438,020	15.62%	Total Sales and Use Tax	48,187,598	49,285,784	2.28%

USE TAX BY CATEGORY			Geographic Code	SALES TAX BY CATEGORY		
JUNE YTD Actual				JUNE YTD Actual		
2015	2016	% Change		2015	2016	% Change
61,445	55,337	-9.94%	North Broadway	697,063	729,078	4.59%
971,977	2,089,200	114.94%	Downtown	3,757,581	4,268,981	13.61%
-906	29,796	-3388.74%	Downtown Extension	396,361	386,273	-2.55%
28,309	4,175	-85.25%	UHGD (the "hill")	597,254	599,121	0.31%
50,318	872,318	1633.61%	East Downtown	359,040	380,145	5.88%
71,007	140,666	98.10%	N. 28th St Commercial	3,077,924	3,037,321	-1.32%
5,015	7,863	56.79%	N. Broadway Annex	235,637	241,924	2.67%
1,653	385,105	23197.34%	University of Colorado	489,314	511,212	4.48%
563,620	93,543	-83.40%	Basemar	1,116,534	1,170,163	4.80%
355,468	1,439,109	304.85%	BVRC-Boulder Valley Regional Center	11,719,251	11,635,581	-0.71%
32,429	143,667	343.02%	29th Street	4,259,995	4,217,891	-0.99%
14,561	42,932	194.84%	Table Mesa	1,357,611	1,410,760	3.91%
34,109	10,796	-68.35%	The Meadows	508,246	592,716	16.62%
2,639,567	2,039,969	-22.72%	All Other Boulder	2,045,046	2,125,854	3.95%
144,451	78,725	-45.50%	Boulder County	495,878	583,954	17.76%
2,435,530	545,881	-77.59%	Metro Denver	1,798,195	1,902,738	5.81%
47,377	52,780	11.40%	Colorado All Other	282,530	222,326	-21.31%
88,096	441,575	401.24%	Out of State	5,164,406	5,892,602	14.10%
872	78,097	8856.08%	Airport	21,390	21,676	1.34%
2,829,978	4,003,084	41.45%	Gunbarrel Industrial	540,266	500,531	-7.35%
3,465	6,120	76.62%	Gunbarrel Commercial	701,197	792,260	12.99%
23,038	64,220	178.76%	Pearl Street Mall	1,779,090	1,817,701	2.17%
1,975,579	1,812,413	-8.26%	Boulder Industrial	4,014,492	3,691,710	-8.04%
38,463	41,184	7.07%	Unlicensed Receipts	193,020	178,119	-7.72%
1,752,783	1,899,307	8.36%	County Clerk	0	0	
49,376	60,159	21.84%	Public Utilities	2,580,277	2,375,148	-7.95%
14,217,582	16,438,020	15.62%	Total Sales and Use Tax	48,187,598	49,285,784	2.28%

