



LIVERMORE SALES TAX

Second Quarter Receipts for First Quarter Sales (Jan. - Mar. 2002)

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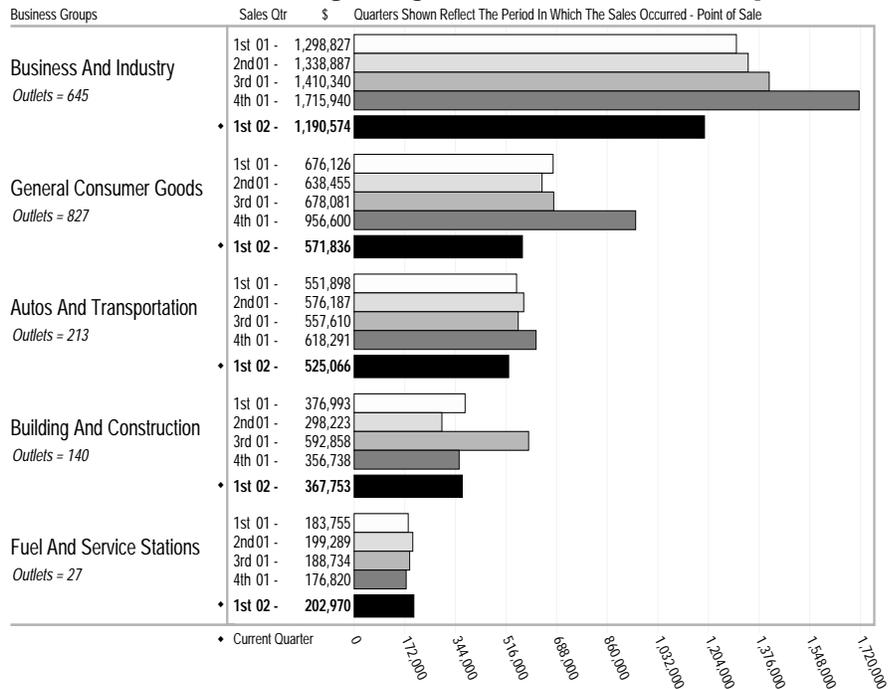
In Brief

Livermore's second quarter receipts for sales occurring January through March were 10.3% lower than the same quarter one year ago.

Declines in light industrial equipment, new cars, trailers/recreational vehicles and construction equipment all contributed to the overall decrease. A closeout in contractor supplies and a drop in the county wide use tax allocation pool were additional factors. The losses were partially offset by recent additions to the heavy industry classification, correction of a previous reporting error in service stations and a generally strong quarter for lumber/building materials and boats/motorcycles.

Gross receipts for all of Alameda County decreased 9.6% over the comparable time period while the nine county bay area as a whole, was down 12.7%.

Sales Tax By Major Business Group



Top 25 Producers Listed Alphabetically

Albertsons
Alliant
Bay Counties Pitcock Petroleum
Codioli Motor
Costco
Groth Brothers Oldsmobile
Harris Rebar
Herning Underground Supplies
Hertz Car Sales
Home Depot
JA Momaney Services
Kaiser Pharmacy
Livermore Harley Davidson
Livermore Honda
Macpherson Western Tool Supply
Mensco
Mervyns
Mobile Modular Management
Orchard Supply Hardware
Orco Construction Supply
Owens & Minor
Pella Window & Door
Safeway
Target
Wal Mart

SALES TAX NOTES

Statewide Sales Tax Revenues Continue Decline

The local share of sales tax revenue generated in the first quarter of 2002 declined 3.68% from the first quarter of 2001 as measured by the Board of Equalization's June allocation. The losses continued to be exacerbated by the Silicon Valley's economic reversal. The remainder of California was down 1.2% when San Francisco, Santa Clara and San Mateo Counties are factored out. Drops in fuel prices and in business-to-business sales were the primary factors contributing to the overall decline for the rest of the state.

E-Commerce Impact Grows

California lost \$1.75 billion in combined local and state sales tax revenues to out-of-state E-commerce sales in 2001 according to a new study by the University of Tennessee's

Center for Business and Economic Research. 92.6% of the loss was estimated to be from business-to-business transactions.

The further narrowing of sales tax through other kinds of remote sales such as catalogs, shifting consumer patterns from goods to non-taxable services, and new legislative exemptions is also analyzed. The study may be reviewed at www.statestudies.org.

Bad Debt Refunds

Under previous law, financing companies that purchased receivables from retailers were not eligible for deductions or refunds for sales tax paid on accounts that were subsequently found to be worthless. In 2000, the state legislature adopted AB 599 (Lowenthal), expanding the circumstances under which third party lenders can apply for sales tax refunds.

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Top 20 Business Categories

Business Type	Outlets	1st Qtr '02	1st Qtr '01	Percent Change	Percent of Total		
					City	County	State
Light Industrial/Printers	142	560,312	617,645	-9.3%	17.5%	7.7%	4.3%
Discount Dept Stores	24	319,101	308,744	3.4%	10.0%	3.6%	5.4%
New Motor Vehicle Dealers	5	233,948	248,097	-5.7%	7.3%	13.8%	13.8%
Service Stations	25	202,970	183,755	10.5%	6.4%	3.9%	4.8%
Lumber/Building Materials	16	194,527	178,416	9.0%	6.1%	4.4%	4.5%
Heavy Industrial	65	143,641	120,552	19.2%	4.5%	2.5%	1.6%
Grocery Stores Liquor	15	99,508	108,506	-8.3%	3.1%	2.7%	3.2%
Trailers And Supplies		Confidential Information				0.3%	0.4%
Farm/Construction Equip.	9	88,004	130,324	-32.5%	2.8%	0.8%	0.5%
Fast Food	81	86,798	87,694	-1.0%	2.7%	3.5%	4.7%
Farm Products/Equipment	22	86,537	80,440	7.6%	2.7%	1.0%	0.6%
Contractors	97	84,392	113,004	-25.3%	2.6%	3.2%	2.9%
Specialty Stores	332	75,782	66,231	14.4%	2.4%	2.9%	3.2%
Repair Shops	96	66,516	70,616	-5.8%	2.1%	1.8%	1.2%
Health Services	22	58,503	68,948	-15.1%	1.8%	0.3%	0.4%
Boats/Motorcycles	10	53,865	19,932	170.2%	1.7%	0.6%	0.6%
Electrical Equipment	38	53,499	67,894	-21.2%	1.7%	3.2%	1.7%
Office Supplies/Furniture	53	51,717	41,889	23.5%	1.6%	3.9%	2.8%
Restaurants Beer And Wine	45	51,217	60,667	-15.6%	1.6%	2.6%	2.6%
Plumbing/Electrical Supplies	13	46,660	40,784	14.4%	1.5%	0.9%	0.7%
Retail Stores	1,047	1,997,221	2,163,339	-7.7%	62.5%	68.1%	75.4%
Non-Store/Part Time Retailers	165	11,759	4,192	180.5%	0.4%	0.4%	0.7%
Business, Service & Repairs	413	222,392	235,947	-5.7%	7.0%	9.6%	8.3%
All Other Outlets (Industrial)	445	964,902	1,039,431	-7.2%	30.2%	21.9%	15.6%
Total All Accounts	2,070	3,196,274	3,442,909	-7.2%			
County & State Pool Allocation		428,446	597,529	-28.3%			
Gross Receipts		3,624,720	4,040,437	-10.3%			

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The State Board of Equalization's implementation Regulation 1642 went into effect in January. Although the State has not been able to develop a reliable estimate, this is expected to dramatically increase the number of occasional, unexpected sales tax refunds particularly in jurisdictions with extensive auto and industrial equipment sales.

In addition, the State Board of Equalization has initiated reductions in revenue from caterers (Reg. 1603). The Board is also considering a 50% reduction in sales tax on optional software maintenance (Reg. 1502) and redefining orthotic and prosthetic devices as tax exempt (Reg. 1541). Refer to www.hdlcompanies.com for more detail.

Fiscal Year To Date Revenue Comparison

	2000-01	2001-02
Point-of-Sale	14,224,050	14,507,797
County Pool	2,098,480	1,950,825
State Pool	36,634	27,584
Gross Receipts	16,359,164	16,486,206

More Exemptions

The state's fiscal crisis has somewhat reduced the legislature's enthusiasm for continuing reduction of revenues through new tax exemptions. However, several did get by including new exemptions for liquefied petroleum gas, thrift stores benefiting Aids victims, medicines sold to health facilities, and sales/leaseback of public passenger transportation. Still in consideration are items sold on Indian reservations (AB 2701) and bronchodilators (AB 523).

