

COUNTY SUPERVISORS ASSOCIATION



# ONLINE SALES

## COUNTY REVENUE IMPLICATIONS

09•20•18



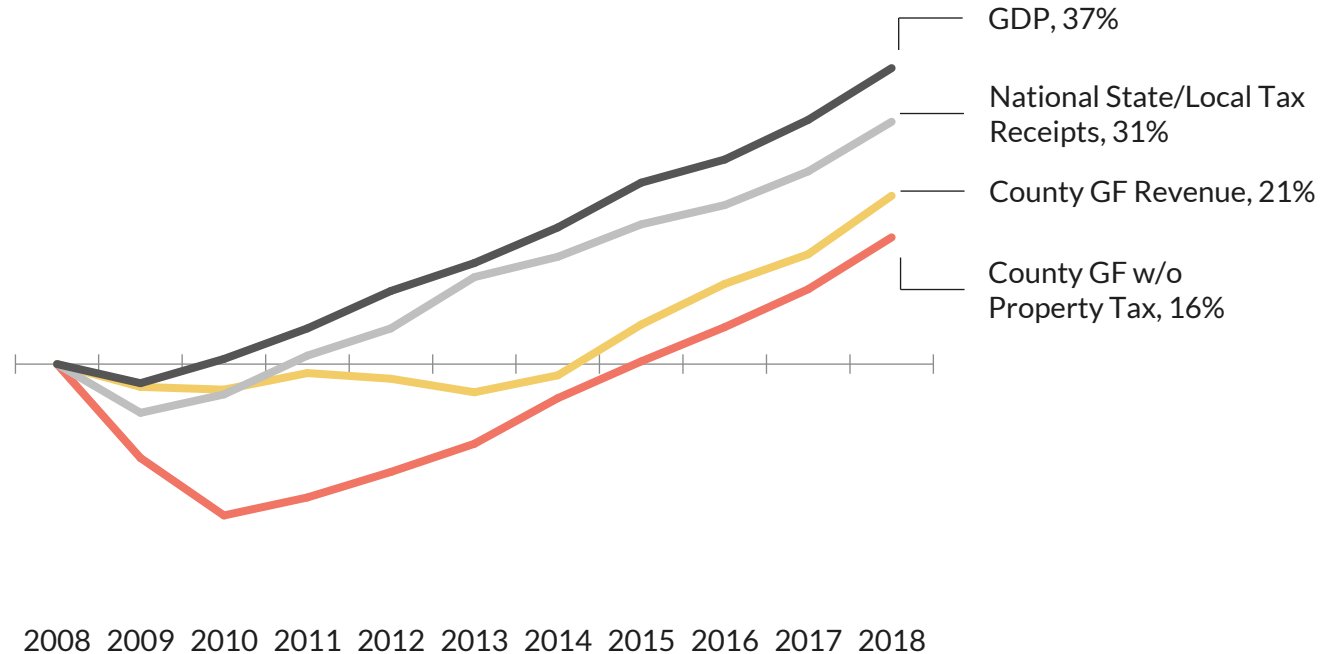
# County Revenue Performance Update



## 2018 County Revenue Performance

County	Big 4	Sales Tax
Apache	3.99%	3.01%
Cochise	3.12%	4.22%
Coconino	6.36%	7.32%
Gila	-0.36%	4.33%
Graham	5.79%	4.66%
Greenlee	17.58%	18.33%
La Paz	5.43%	2.00%
Maricopa	7.17%	6.33%
Mohave	5.85%	9.19%
Navajo	7.78%	9.25%
Pima	6.83%	6.05%
Pinal	4.60%	7.48%
Santa Cruz	3.01%	2.04%
Yavapai	4.91%	7.74%
Yuma	4.03%	3.44%

## County Revenue v. National Indicators



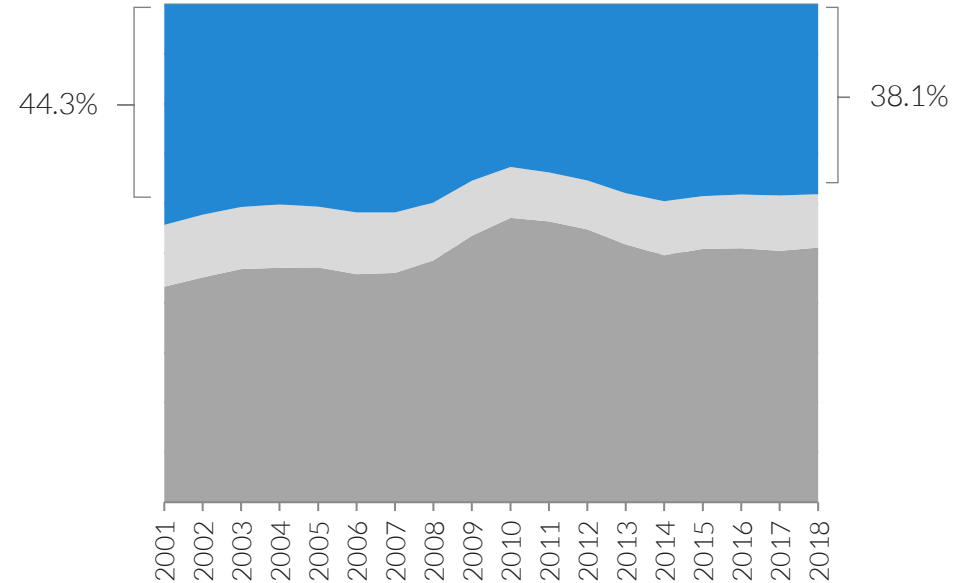
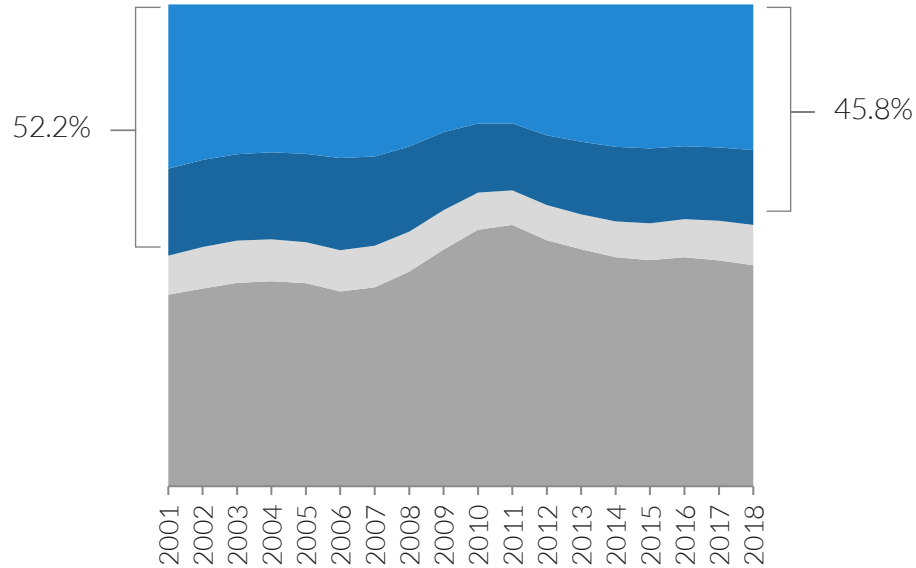
Big 4: Property Tax, GF VLT, Local Excise Tax, Shared TPT revenues

# County Revenue Composition Update



*Rural*

*Urban*



Primary Property Tax
  GF VLT
  GF Excise Tax
  Shared TPT



# Sales Tax Revenues

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## Factors in future growth

### **Tax Base Increase**

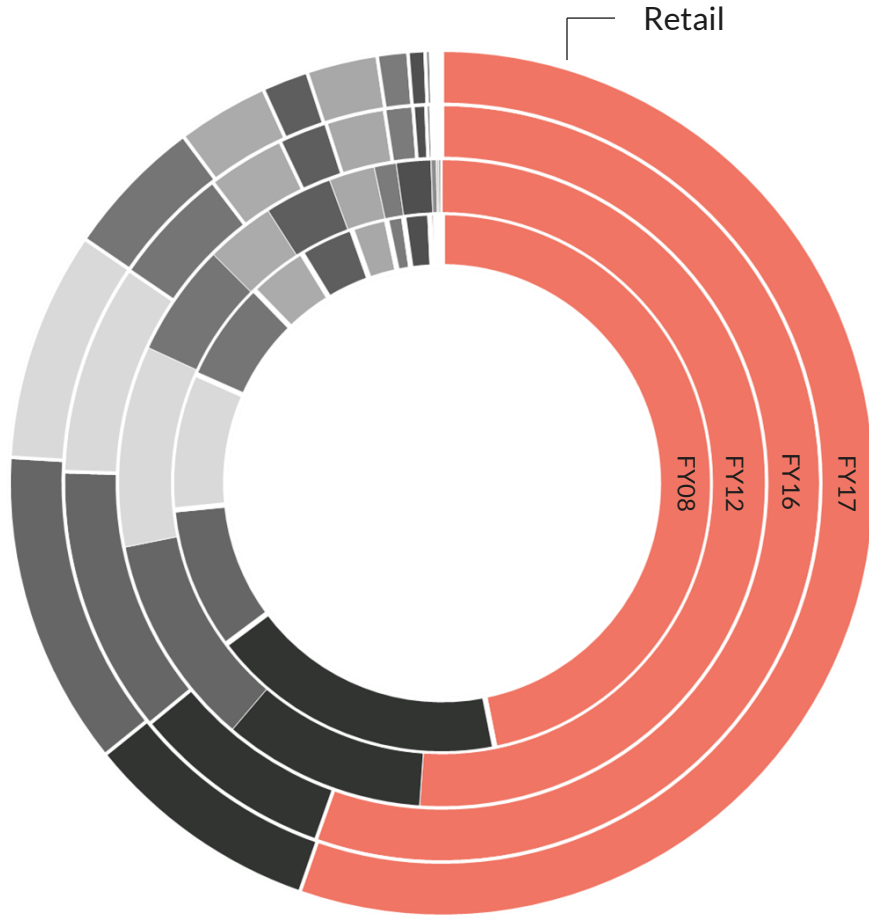
- Driven largely by economic growth
- Changing economy may lead to degradation of the base
- Ballot proposition to ban sales tax on services may permanently limit the base

### **Rate Increase**

- State TPT rate unlikely to increase
- Local excise rate capped at 10% of the state rate (currently 0.5%)



# Sales Tax Composition

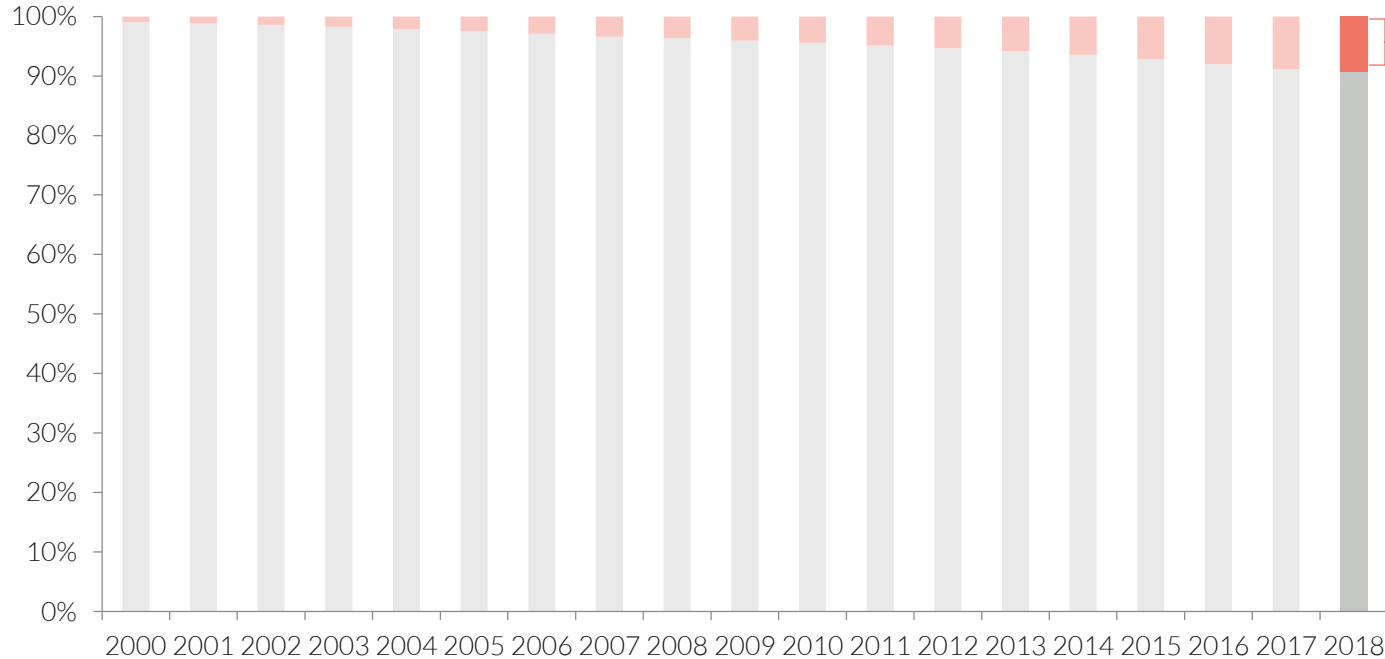


- Retail makes up the **largest portion** of the Arizona sales tax base.
- It has grown in size from 46% of the base in FY08 to **55%** in FY17.
- Other growing classes of TPT include:
  - Restaurants and Bars
  - Hotel/Motel
  - Amusements
- Shrinking class classes of TPT include:
  - Communications
  - Job Printing

# Changing Retail Landscape



## E-commerce as a percent of total retail sales

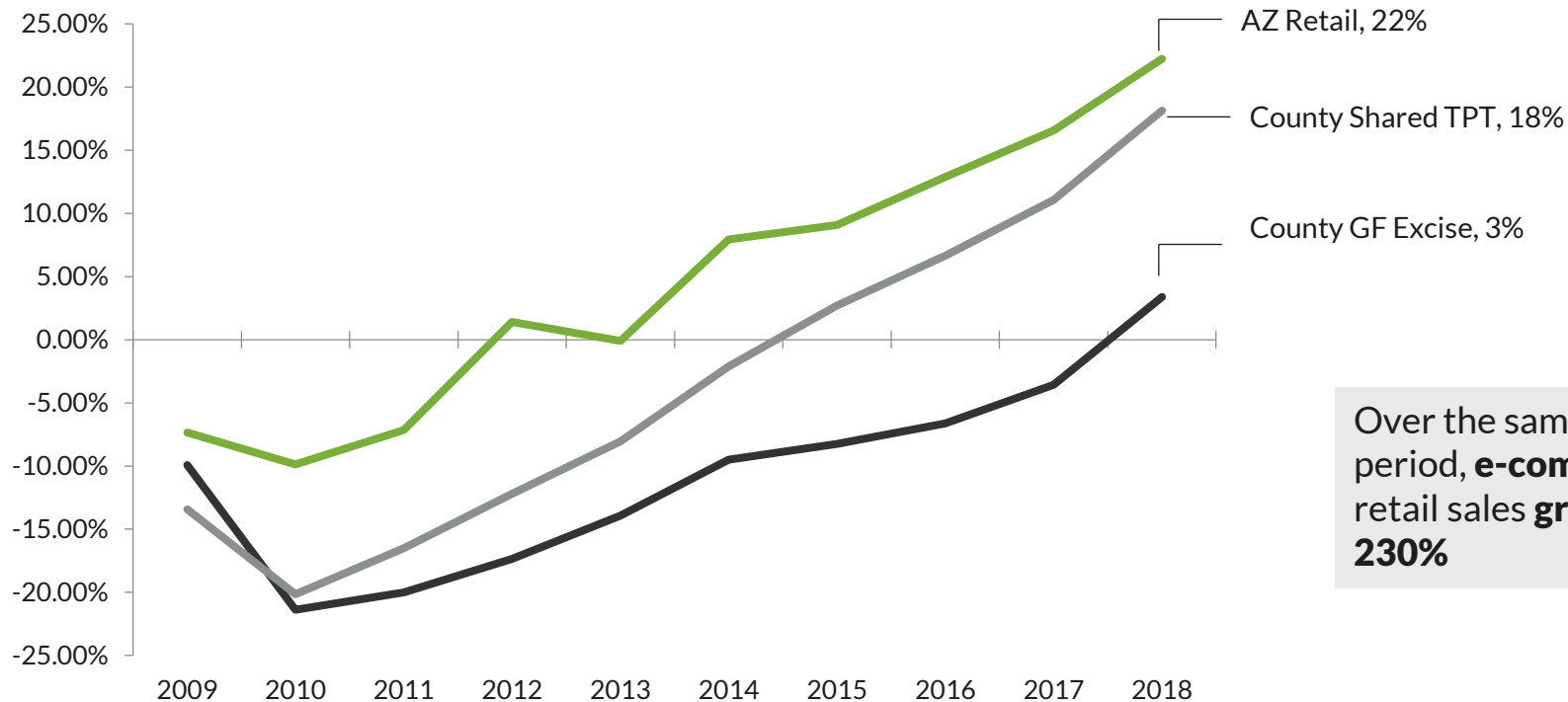


E-commerce now accounts for over **9%** of **total retail sales** in the U.S.

# Revenue Implications



## County Sales Tax Revenue v. Arizona Retail Sales



Over the same time period, **e-commerce** retail sales **grew 230%**



# Concerns: the New Economy

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- Retail growth will continue to shift towards e-commerce as more people purchase goods online.
- Consumption of goods is shifting from physical to digital.
- Consumer spending is now mostly on services, not goods.
- We aren't certain what revenue we are receiving from purchases made online, or on digital goods.
- Current sales tax system isn't set up to deal with these shifting markets.