

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh

**SUBJECT: BREAKOUT OF COUNTYWIDE
SALES TAX POOL ALLOCATED
TO SAN JOSÉ**

DATE: May 22, 2018

Approved

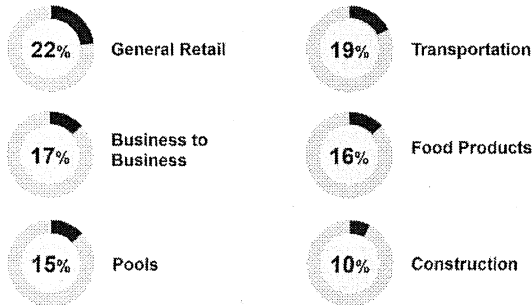
Date

5-22-18

BACKGROUND

During the May 9, 2018 study session on the 2018-2019 Proposed Operating Budget, the slide shown below was presented by staff displaying the breakdown of calendar year 2017 sales tax revenue by category, 15% of which was allocated from the Santa Clara Countywide Pool. Councilmember Jimenez requested the breakout of the City's share of countywide pool sales tax revenue.

Sales Tax by Category



SAN JOSE

ANALYSIS

Local sales and use taxes are allocated based on a taxpayer's place of business. Sometimes, however, a sale cannot be attributed to a permanent place of business, as is typically the case with sales conducted over the Internet. In these cases, the local sales or use tax in California is allocated to a city through a countywide pool.

A city's share of the countywide pool is based on its proportion of the county's 1-percent local sales and use tax, and this share is recalibrated every quarter. For instance, in the fourth quarter of 2017, the total 1-percent gross sales tax countywide was \$102,026,217, while the 1-percent gross sales tax attributed to the City of San José totaled \$40,995,441, or 40.2%. Consequently, San José was allocated 40.2% of all sales and use tax in Santa Clara County's countywide pool. San Jose averaged a 41.6% share of the countywide pool over the 2017 calendar year.

The following chart details the makeup of San Jose's share of the countywide pool for calendar year 2017.

Sector	San Jose's Share	Percentage of Pool
Business to Business	\$14,247,023	51%
Construction	7,409,603	27%
Food Products	2,835,335	10%
General Retail	2,705,069	10%
Misc.	234,055	1%
Transportation	252,692	1%
Annual Total	\$27,683,777	100%

Overall, the countywide pool has increased over the last four years, with particular growth in business to business and construction. It is also worth noting that while online sales are not broken out into a separate category, much of it is captured in business to business and general retail.

/s/

KIM WALESH
 Deputy City Manager
 Director of Economic Development

For questions, please contact Nanci Klein, Assistant Director of Economic Development, at (408) 535-8184.