



## **CITY OF MONTGOMERY, TEXAS**

### **Sales and Use Tax Administration Report**

May 2021

**To:** Honorable Mayor Sara Countryman, Montgomery City Council, City Staff

**From:** Sales Revenue Inc.

**Re:** Sales Tax Administration Report

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## How to Analyze this Report

Sales Revenue Inc. has undertaken numerous steps in preparation of this report; it is our sincere desire that the City Council will be able to have a full understanding of the long and short-term status of sales tax filers and receipts going forward. In order to assess the City sales tax effectiveness, Sales Revenue Inc. has undertaken the following steps:

1. SRI representatives have physically canvassed the brick-and-mortar businesses operating within the City limits. A copy of our findings is included with this report. Going forward, this list of business owners will serve as the “master list” and will be updated accordingly. Each time the master list is updated a copy of the latest audit is taken into the District and all changes discovered are notated in **RED TEXT**.
2. Each business is evaluated for taxable goods or services, and a sales tax permit has been inspected for each entity that qualifies. Additional categories have been assigned to business spaces that either do not qualify for sales tax or were vacant at the time of inspection.
3. If a business is performing a service which does not currently qualify for the local tax it is notated as **NOT TAXABLE**. Examples of such entities include: most medical services, fire and EMS, governmental services, most lending and financial institutions, religious organizations, Etc.
4. Businesses that currently perform a service that does not qualify for the local sales tax levy but could, at some point, begin to sell taxable products are notated as **SERVICE ONLY**. Entities which qualify for this category include: some hair and most nail salons, take-and-go food providers where no seating is provided, and charitable organizations.

## How to Analyze this Report (Continued)

5. **NEW CONSTRUCTION** and recent **VACANCIES** notated during the canvass are listed as such within the report as well.
6. Sales Revenue Inc. has been granted access to confidential information reports that pertain to the monthly sales tax filings by individual businesses. This information serves as a basis when discovering missing payment and non-compliant sales tax receipts. These reports are used each month to provide the Top 25 annual and monthly tax payer list. Each month SRI representatives receive several data sets from the City and State, allowing real-time monitoring of sales and use tax permit creations and decommissions.
7. Graphical models are provided listing current and historical sales and use tax allocation totals, trend and variance percentages. These graphs are updated each month and are presented whenever Sales Revenue Inc. provides an updated report to City Council.
8. **Non-Compliance Report.** Every six months SRI reviews the payment detail, which is provided by the State Comptroller. An initial report is drafted by our office and provided to the State, utilizing a combination of confidential information as well as our physical canvass results. Once the State has rendered a final decision on the report it will be presented to City Council. The first non-compliant report has been presented to the State.

Per the Comptroller of Public Accounts (CPA), many times a business entity is remitting a Jurisdictions local tax correctly but is not added to the confidential reports. The CPA states that it is the responsibility of the taxing authority to request addition of omitted businesses to the confidential report. In addition to requesting a full review of any missing sales tax allocations for each business, Sales Revenue Inc. has also requested that each business would be added to all reports going forward.

The Comptroller has 44 working business days in which to provide a response to the City. Once the determination is final, a refund is issued within 30 days and remitted to the City in the following quarter.

## Overview of the City of Montgomery Audit

The City of Montgomery was physically inspected in July 2020. A total of **351** entities, including vacant spaces in the retail and industrial centers, were notated. Of the entities audited, **227** provide a service or product that qualifies for the local sales tax levy, these businesses are responsible for adding to the monthly, quarterly, and annual allocations received from the State.

Each business that is inspected is reviewed for correct sales tax application as well as qualifications of goods or services for the additional sales tax levy. Each time a physical inspection is performed this list will be updated and prior inspections reflected.

Additional notations are made within the report including vacancies, business closures, and new construction. The current report reflects the following business breakdown by category:

Month and Year	July 2020	October 2019	March 2019
<b>Total Entities</b>	<b>351</b>	295	264
<b>Sales Tax Permit Holders</b>	227	191	176
<b>Non Taxable Entities</b>	52	52	48
<b>Provide Service Only</b>	30	22	17
<b>Vacancies*</b>	27	21	16
<b>Misc.**</b>	15	9	7

*\*Vacancies can include recent spaces formerly occupied by businesses that are no longer operational.*

*\*\*Miscellaneous can include game rooms, storage, lockouts, owner refusal, operational businesses that were closed, or businesses that were closed with no indicating name or signage that can identify that space.*

## Sales Taxpayer Information through April

A review of the monthly reports provided by the Comptroller of Public Accounts reflects 5,231 active taxpayer accounts coded to the City of Montgomery. Many of the accounts are either E-Commerce related, or are coded as active but have not made a sale yet, and therefore are not reflected in the monthly report(s).

## Total Sales Tax Payers by Month

YEAR	MONTH	SALES TAX FILERS
<b>2020</b>	<b>May</b>	<b>1,811</b>
2020	June	1,867
2020	July	1,866
<b>2020</b>	<b>August</b>	<b>2,001</b>
2020	September	1,913
2020	October	1,956
<b>2020</b>	<b>November</b>	<b>2,076</b>
2020	December	1,988
2021	January	1,993
<b>2021</b>	<b>February</b>	<b>2,277</b>
2021	March	1,965
2021	April	1,874
<b>2021</b>	<b>May*</b>	<b>2,150</b>

The number of taxpayers filing local taxes fluctuates throughout the year. February and quarterly filing months have traditionally reflected the highest number of sales tax payers. Represented here is a listing of each month and the number of taxpayer returns filed in the District, quarterly filing months are listed in **BOLD**.

Average number of taxpayers filing each month: 1,980  
**19% increase in taxpayers over May 2020**

## Sales Tax Allocations through May 2021

Sales tax receipts for Calendar Year 2021 total **\$1,657,846.44**

For Tax Year 2021\* sales tax receipts totaled **\$961,600.85**

Reviewing the past twelve month reporting period, the City of Montgomery sales tax receipts were derived from an average of 1,980 taxpayers filing local tax returns each month with February 2021 reflecting the highest taxpayer count of 2,277.

## Top 25 Sales Tax Filers - Twelve Months Combined

1	KROGER TEXAS L.P.
2	MCCOY CORPORATION
3	BROOKSHIRE BROTHERS INC.
4	THE OTHER SIDE INC.
5	VMWARE INC.
6	AZZIP ENTERPRISES INC.
7	ENTERGY TEXAS INC.
8	O'REILLY AUTO ENTERPRISES LLC
9	JIM'S HARDWARE INC.
10	ALLEYTON RESOURCE COMPANY LLC
11	TUMLINSON ELECTRIC LLC
12	MCKINNEY RESTAURANT 21141 LLC
13	SCHULTZ PET SUPPLY LLC
14	GOOGLE LLC
15	CHEWY INC.
16	HOOKER FURNITURE CORPORATION
17	NEW CINGULAR WIRELESS PCS LLC
18	ELSTER SOLUTIONS LLC
19	SKIPPER BEVERAGE COMPANY LLC
20	JEETHO BUSINESS INC.
21	KOLKHORST FOODS LLC
22	AMAZON.COM SERVICES INC MARKETPLACE
23	A & A PLANTS AND PRODUCE INC.
24	THE ECLECTIC TRADING COMPANY
25	AMAZON.COM SERVICES LLC

**Combined local taxes filed: \$1,902,001.30**

*\*Tax Year refers to the actual months when sales tax is received for the sales tax calendar year. In this case, March 2021-February 2022 make up the current annual receipts period.*

## Top 25 Sales Tax Filers-May 2021

1	KROGER TEXAS L.P.
2	MCCOY CORPORATION
3	BROOKSHIRE BROTHERS INC.
4	ENERGY TEXAS INC.
5	THE OTHER SIDE INC.
6	18 SOURCING LLC
7	AZZIP ENTERPRISES INC.
8	JIM'S HARDWARE INC.
9	O'REILLY AUTO ENTERPRISES LLC
10	COBURN SUPPLY COMPANY INC.
11	MCKINNEY RESTAURANT 21141 LLC
12	THE ECLECTIC TRADING COMPANY
13	SCHULTZ PET SUPPLY LLC
14	GOOGLE LLC
15	CHEWY INC.
16	INTUIT INC.
17	ALLEYTON RESOURCE COMPANY LLC
18	AMAZON.COM SERVICES (MARKETPLACE)
19	STARBUCKS CORPORATION
20	MID-SOUTH ELECTRIC COOPERATIVE ASSOC
21	PLAYHOUSE MEDIA LLC
22	JEETHO BUSINESS INC.
23	SKIPPER BEVERAGE COMPANY LLC
24	KOLKHORST FOODS LLC
25	ADVA OPTICAL NETWORKING N. AMERICA

### Combined Total Local Taxes Filed: \$273,073.74

Utilizing data provided by the Texas Comptroller of Public Accounts, this list reflects the top 25 businesses remitting the highest local tax filings within the District and represents 62% of the total combined sales tax refunds for May.

Within City's most recent sales tax allocation, sixty-five (65) businesses filed local taxes in excess of \$1,000.00. It is important to note that the taxpayer with returns over \$1,000.00 reflects 76% of the total monthly allocation, with combined filings of \$336,648.71

## April | May 2021 Top 25 Taxpayer Comparison

### April 2021

1	MCCOY CORPORATION
2	THE OTHER SIDE INC.
3	JIM'S HARDWARE INC.
4	AZZIP ENTERPRISES INC.
5	O'REILLY AUTO ENTERPRISES LLC
6	ALLEYTON RESOURCE COMPANY LLC
7	MCKINNEY RESTAURANT 21141 LLC
8	SCHULTZ PET SUPPLY LLC
9	INTUIT INC.
10	STARBUCKS CORPORATION
11	GOOGLE LLC
12	CROSS DEVELOPMENT/MONTGOMERY LP
13	YES GARAGE DOOR SERVICES LLC
14	CHEWY INC.
15	KOLKHORST FOODS LLC
16	SKIPPER BEVERAGE COMPANY LLC
17	JEETHO BUSINESS INC.
18	NEW CINGULAR WIRELESS PCS LLC
19	DAVID YURMAN HOLDINGS LLC
20	CHIPOTLE MEXICAN GRILL OF COLORADO
21	DE LAGE LANDEN FINANCIAL SERVICES INC.
22	BFI WASTE SERVICES OF TEXAS LP
23	AMAZON.COM SERVICES INC MARKETPLACE
24	AUTOTRUST REPAIRS LLC
25	RESTORATION HARDWARE INC.

Non-Quarterly Filer Month  
**Allocation: \$106,635.17**

### May 2021

1	KROGER TEXAS L.P.
2	MCCOY CORPORATION
3	BROOKSHIRE BROTHERS INC.
4	ENERGY TEXAS INC.
5	THE OTHER SIDE INC.
6	18 SOURCING LLC
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Quarterly Filer Month  
**Allocation: \$273,073.74**



**Sales Tax Receipts by Business Type/Nexus Twelve Month Totals**

During the past twelve months, 96% of all sales tax receipts received came from service providers that are charging the local sales tax to individuals within the City boundary, but whose physical tax office is located either out of the City limits or, in most cases, out of the State. These businesses have been reviewed and have been determined by the Comptroller of Public Accounts that they constitute a service, which qualifies for charging the local tax.

In May 2021, a total of 85 businesses filed sales tax receipts from locations that are physically located within the City, the remaining 2,065 filings came from out of District goods and service providers.



**Sales Tax Receipts**

The City of Montgomery, Texas has received **\$35,252,120.67** in sales tax receipts since January 1, 1995.

**The May 2021 allocation to be allocated to the City totals**

**\$440,192.71**

## Top 25 Sales Tax Categories in Montgomery, Texas

1	SUPER MARKET AND GROCERY SERVICES
2	CABLE AND OTHER TV SUBSCRIPTIONS
3	SPECIALTY BUILDING MATERIALS
4	AUTOMOTIVE SUPPLY
5	HYDRO ELECTRIC POWER
6	ELECTRONIC SHOPPING
7	HARDWARE STORES
8	WIRELESS TELECOMMUNICATIONS PROVIDERS
9	SOFTWARE PUBLISHERS
10	MOBILE FOOD SERVICE
11	RENTING OFFICE SPACE M&E / F&F
12	HOSTING DATA PROCESSING
13	CONSTRUCTION MATERIALS, SAND & GRAVEL
14	SOFTWARE REPRODUCTION
15	FABRICATED STRUCTURAL MANUFACTURING
16	MAIL ORDER HOUSES
17	COMMERCIAL PRINTING
18	WIRED/WIRELESS TELECOMMUNICATIONS
19	ELECTRONIC SHOPPING
20	WHOLESALE FURNITURE DISTRIBUTION
21	WHOLESALE DISTRIBUTION
22	RADIO TV BROADCASTING
23	INTERNET PUBLICATION
24	COSMETIC AND BEAUTY SUPPLIES
25	REAL-ESTATE LEASING

This list reflects the top 25 highest categories businesses use when filing sales tax. While there are hundreds of codes under which a business may report sales tax, SRI extracts the top 25 categories with the highest dollar amount received by the City.

The date range used is May 2020 through May 2021.

**Total Allocations: \$5,358,410.33**

## May 2021 | 2020 Comparison

Receipts of Sales Tax Were as Follows:	May 2021*	May 2020
	\$440,192.71	\$315,099.21
		<i>*40% increase</i>

Total Sales Tax Allocations Received:	2021 FYTD	2021	% of Budget
	\$2,532,095.22	\$2,900,000.00	87.31

FY 2019 Total Allocations	FY 2018 Total Allocations	FY 2017 Total Allocations	FY 2016 Total Allocations	FY 2015 Total Allocations	2014 Total Allocations
\$2,661,447.47	\$3,049,090.50	\$1,889,285.60	\$1,867,030.18	\$1,699,926.42	\$1,688,374.26
FY 2020 Total Allocations					
\$696,245.59					

Fiscal Year Date Range: October-September

Total Allocations, 2014-Present
\$17,797,134.68

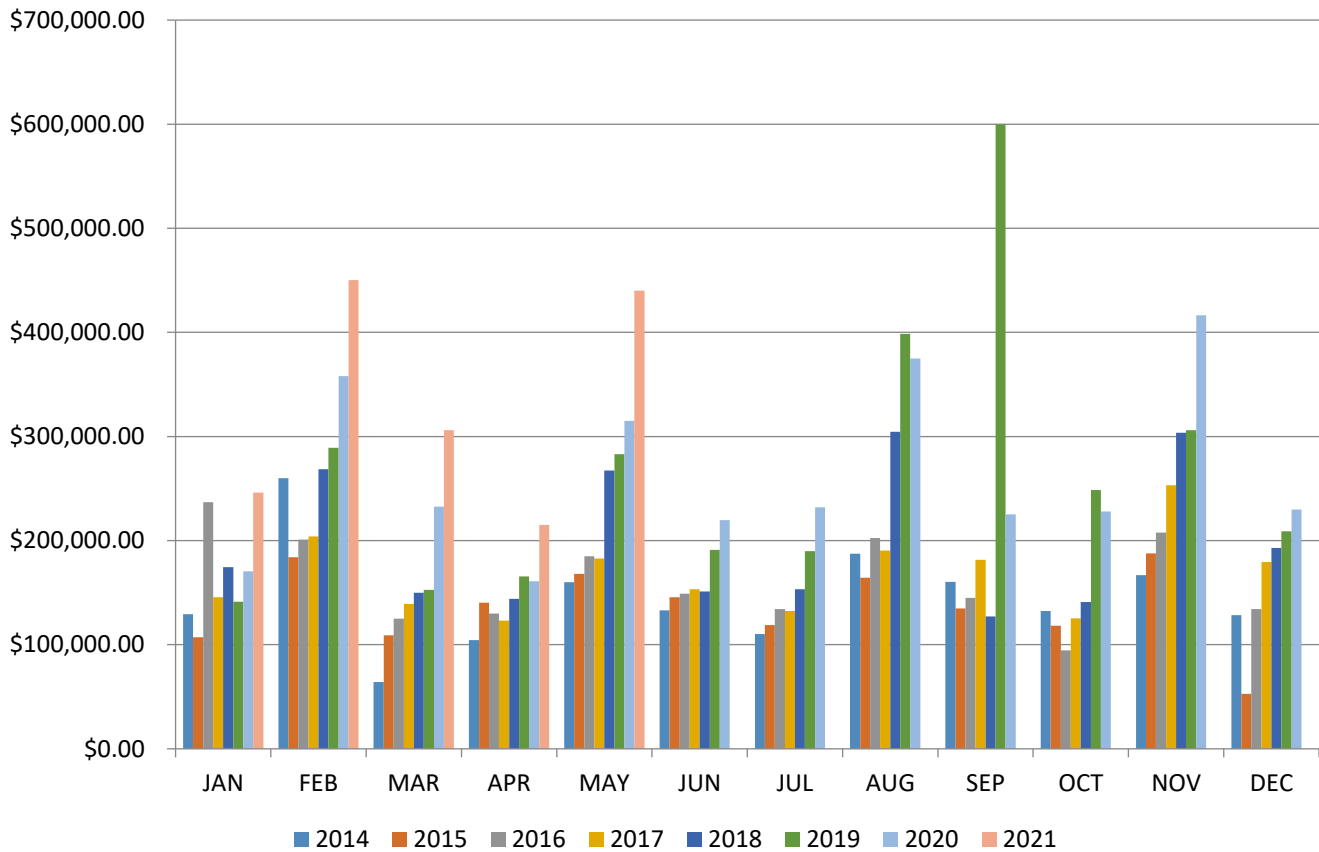
*Includes recovered and corrected revenue from SRI.*

Calendar Year 2021 Sales Tax Averages		Calendar Year 2020 Sales Tax Averages	
Total: \$1,657,846.44		Total: \$2,772,356.01	
Mean Allocation:	\$331,568.80	Mean Allocation:	\$251,680.22
Median Allocation:	\$306,201.00	Median Allocation:	\$229,923.02

*\*Tax Year (TY) refers to the actual months when sales tax is received for the sales tax calendar year. In this case, March 2021-February 2022 make up the annual receipts period. Recovery from a prior month or year may be received at any time.*

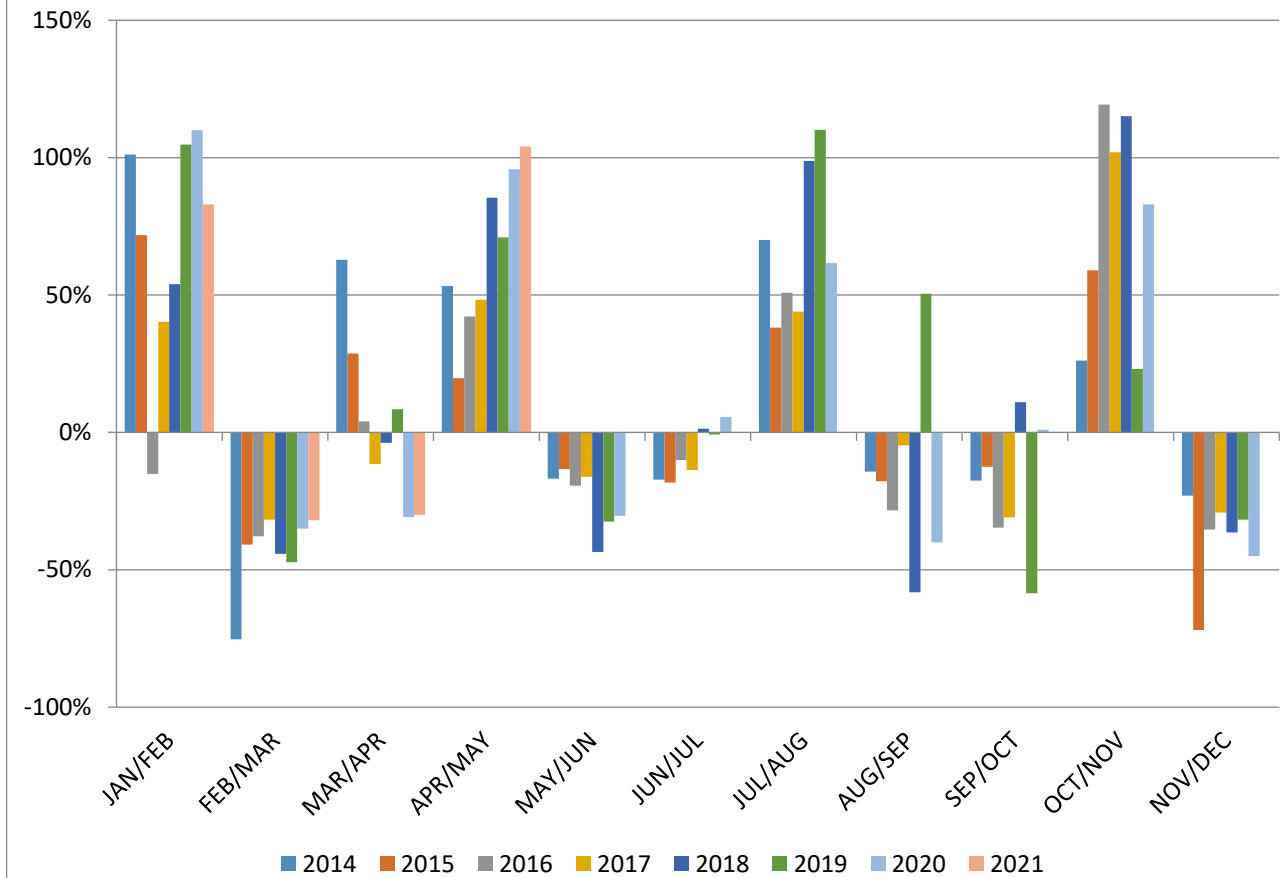
**Graphical Models Follow**

### Monthly Allocations



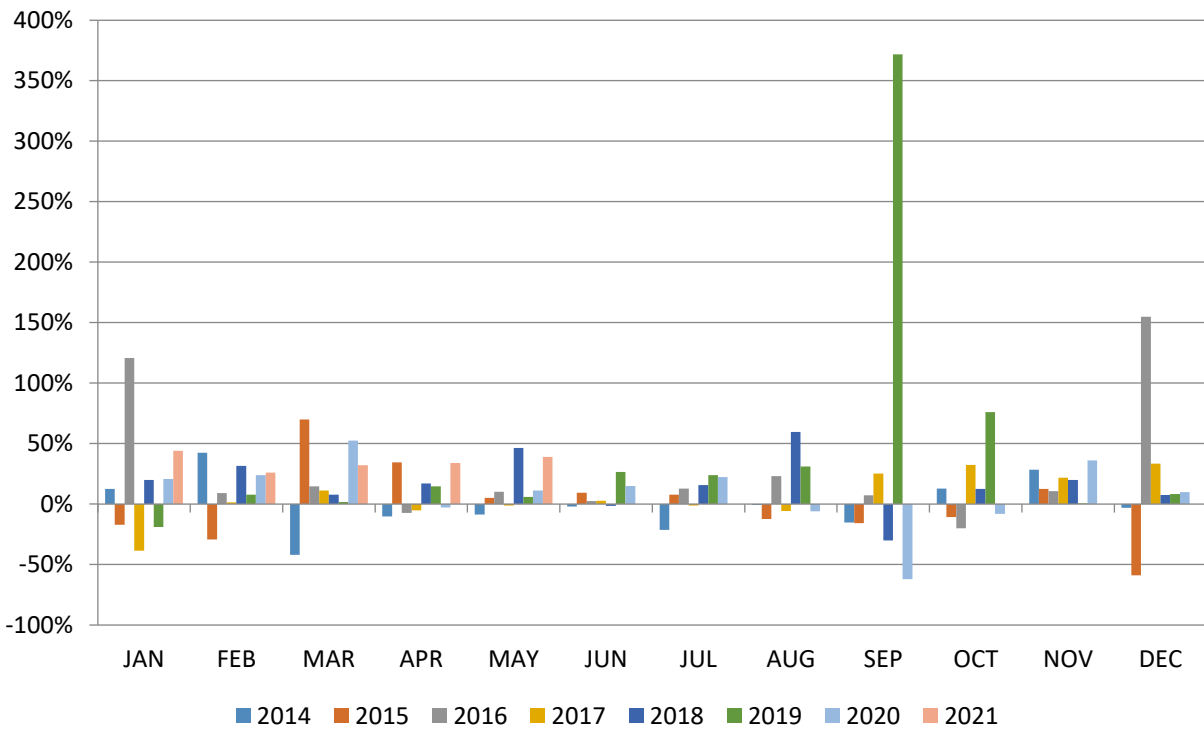
	2015	2016	2017	2018	2019	2020	2021
JAN	\$107,238.81	\$236,764.92	\$145,488.55	\$174,487.10	\$141,238.00	\$170,531.07	\$246,166.57
FEB	\$184,183.00	\$200,985.71	\$204,006.24	\$268,635.98	\$289,215.49	\$358,073.66	\$450,079.02
MAR	\$108,979.46	\$125,057.26	\$139,225.65	\$149,964.30	\$152,607.97	\$232,590.18	\$306,201.64
APR	\$140,275.54	\$130,098.69	\$123,234.01	\$144,205.61	\$165,516.81	\$160,911.79	\$215,206.50
MAY	\$168,012.24	\$184,955.47	\$182,757.15	\$267,397.74	\$283,049.52	\$315,099.96	\$440,192.71
JUN	\$145,485.26	\$149,145.60	\$153,336.53	\$151,071.81	\$191,260.13	\$219,615.98	
JUL	\$118,871.30	\$134,137.44	\$132,394.32	\$153,156.83	\$189,741.79	\$231,928.50	
AUG	\$164,234.26	\$202,380.82	\$190,648.43	\$304,422.57	\$398,641.13	\$375,019.12	
SEP	\$135,004.07	\$144,903.50	\$181,625.33	\$127,165.52	\$599,991.27	\$225,114.39	
OCT	\$118,139.09	\$94,652.13	\$125,361.52	\$141,162.59	\$248,593.82	\$227,917.54	
NOV	\$187,778.09	\$207,611.58	\$253,111.48	\$303,708.43	\$305,939.66	\$416,557.44	
DEC	\$52,683.59	\$134,305.68	\$179,308.88	\$192,957.46	\$208,806.76	\$229,773.80	

### Month to Month Variance

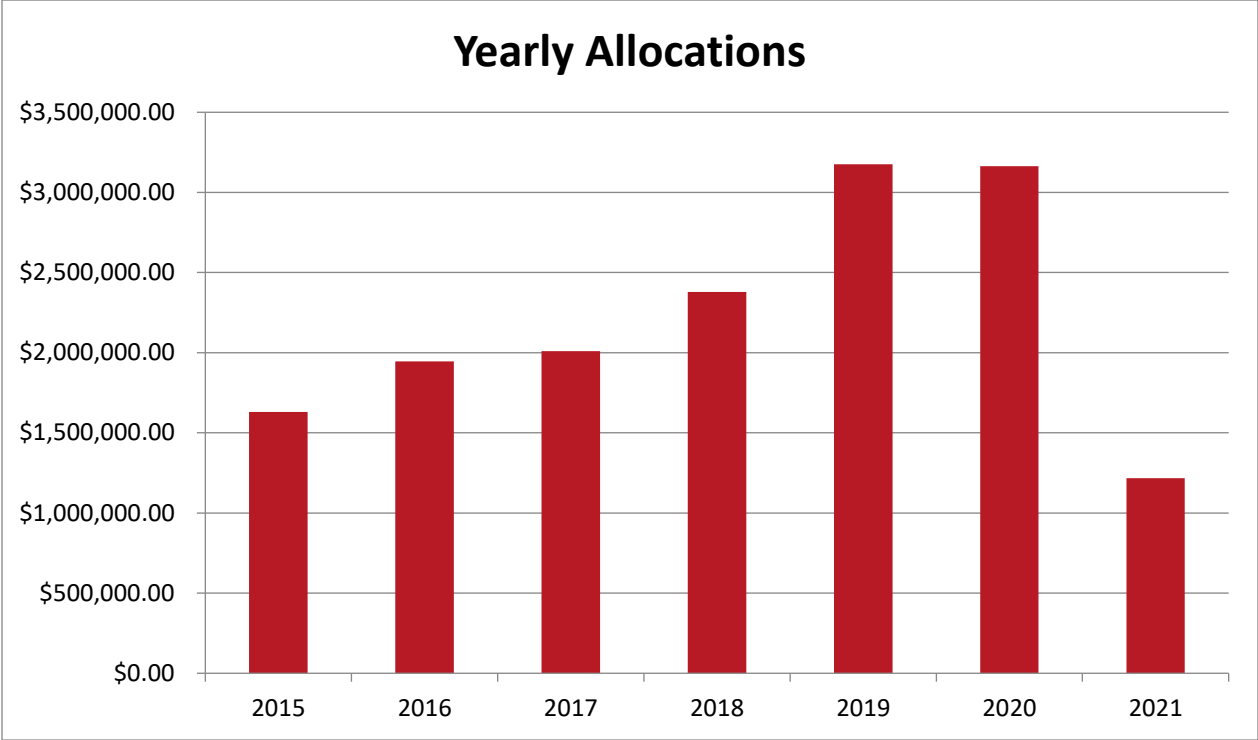


	2015	2016	2017	2018	2019	2020	2021
JAN/FEB	72%	-15%	40%	54%	105%	110%	83%
FEB/MAR	-41%	-38%	-32%	-44%	-47%	-35%	-32%
MAR/APR	29%	4%	-11%	-4%	8%	-31%	-30%
APR/MAY	20%	42%	48%	85%	71%	96%	104%
MAY/JUN	-13%	-19%	-16%	-44%	-32%	-30%	
JUN/JUL	-18%	-10%	-14%	1%	-1%	6%	
JUL/AUG	38%	51%	44%	99%	110%	62%	
AUG/SEP	-18%	-28%	-5%	-58%	51%	-40%	
SEP/OCT	-12%	-35%	-31%	11%	-59%	1%	
OCT/NOV	59%	119%	102%	115%	23%	83%	
NOV/DEC	-72%	-35%	-29%	-36%	-32%	-45%	

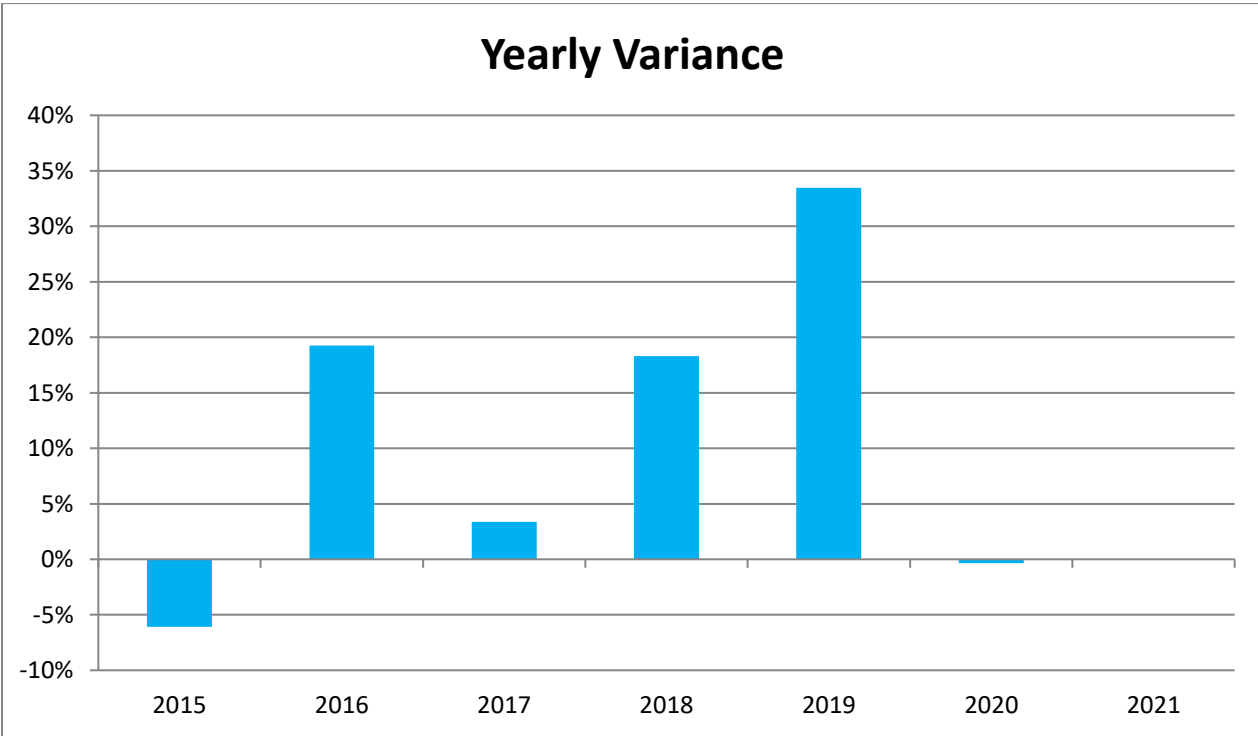
### Previous Year by Month Variance



	2015	2016	2017	2018	2019	2020	2021
JAN	-17%	121%	-39%	20%	-19%	21%	44%
FEB	-29%	9%	2%	32%	8%	24%	26%
MAR	70%	15%	11%	8%	2%	52%	32%
APR	34%	-7%	-5%	17%	15%	-3%	34%
MAY	5%	10%	-1%	46%	6%	11%	39%
JUN	9%	3%	3%	-1%	27%	15%	
JUL	8%	13%	-1%	16%	24%	22%	
AUG	-12%	23%	-6%	60%	31%	-6%	
SEP	-16%	7%	25%	-30%	372%	-62%	
OCT	-11%	-20%	32%	13%	76%	-8%	
NOV	13%	11%	22%	20%	1%	36%	
DEC	-59%	155%	34%	8%	8%	10%	

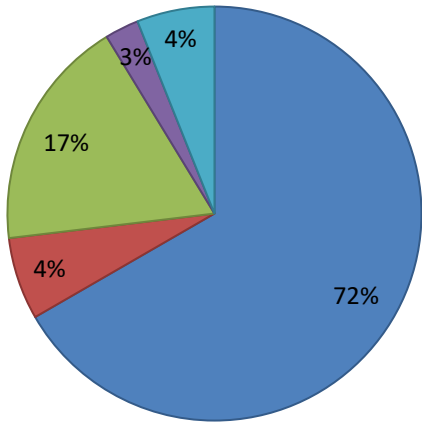


TY 2015	TY 2016	TY 2017	TY 2018	TY2019	TY2020	TY2021
\$1,630,884.71	\$1,944,998.80	\$2,010,498.09	\$2,378,335.94	\$3,174,602.35	\$3,163,133.43	\$1,657,846.44
-6%	19%	3%	18%	33%	0%	



### Business Entity Breakdown

Total: 351



■ Tax ID ■ Not Charging ■ Not Taxable ■ Occupied ■ Vacant

File Sales Tax	Service Only	Not Taxable	Occupied	Vacant
227	30	52	15	27