

# Local Sales Tax and The Economic Outlook for Hill County

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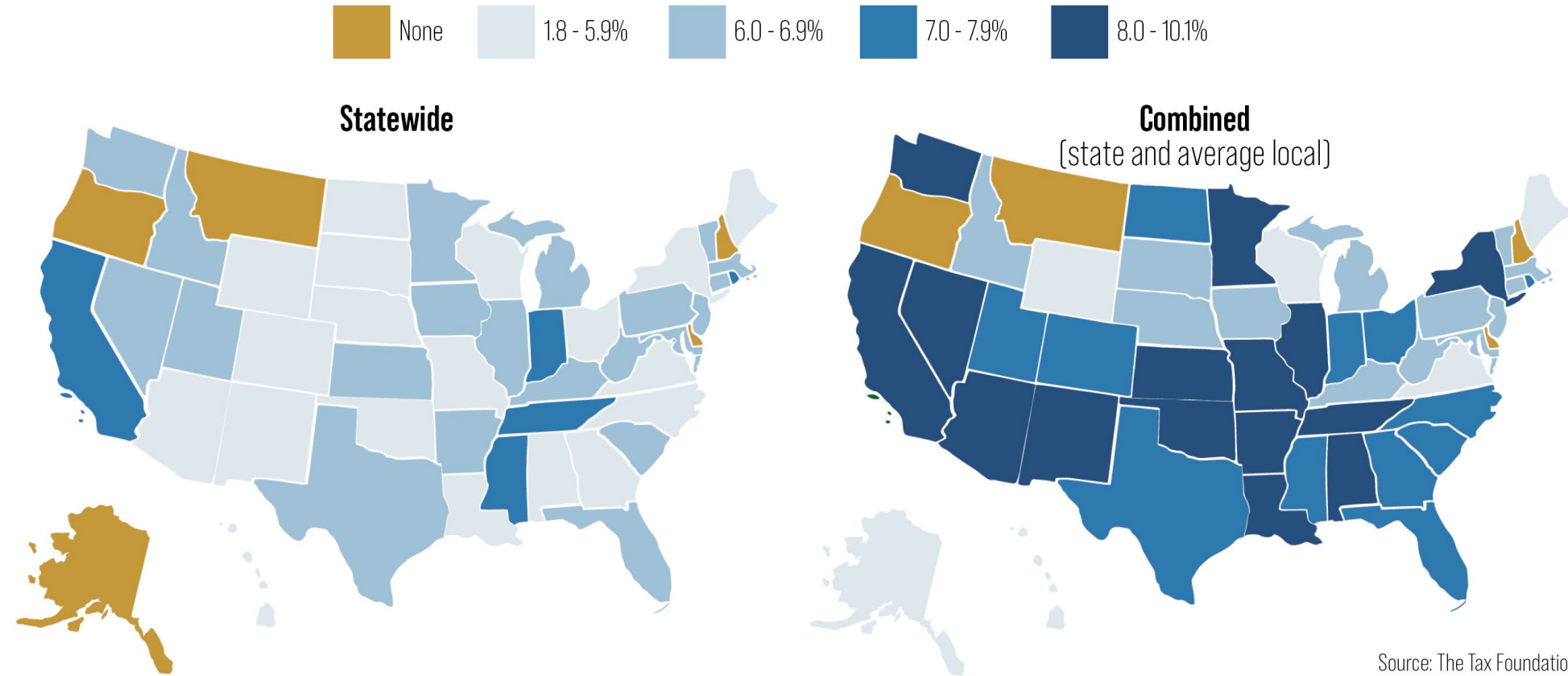
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Hill Economic Outlook

# In Many States, Local Sales Taxes Are Large: About ¾ of State's Allow Local Sales Tax.

Sales tax rates, July 2025



# Local Option Sales Tax Problem 1: Large Inequities Across Areas

Illustrated With Former Home County:  
All areas have the same sales tax rate.

Differences are due to

- 1) major highways/tourist traffic
- 2) location of shopping centers  
(incentives)
- 3) housing (less is better!)

Jurisdictional competition for sales tax is not  
economic development: a zero-sum regional game.

Placer County Communities	Sales Tax Revenue Per Capita
County Unincorporated	\$155.87
Auburn	\$550.70
Colfax	\$679.37
Lincoln	\$80.66
Loomis	\$182.52
Rocklin	\$222.49
Roseville	\$393.86

Source: California City Finance, 2018-19.



# Local Option Sales Tax Problem 2: Negative Fiscal Incentives For Local Governments Especially When Paired With Property Tax Restrictions

## Hospitality, Entertainment, & Recreation Incentive Program

The Hospitality, Entertainment & Recreation (HER) incentive offers a sales tax rebate or direct financial assistance, building and planning fee rebates, and/or transient occupancy tax rebates and is available to unique retailer(s) who offer a full-service establishment with hospitality, recreation, and entertainment venues. To qualify, a business must:

A minimum of \$10 million in annual sales qualifies for a 20% rebate of the portion of tax collected by the City, growing to a sales tax rebate of 50% for businesses generating \$30 million or more in annual sales.

## Citywide Retail Incentive Program

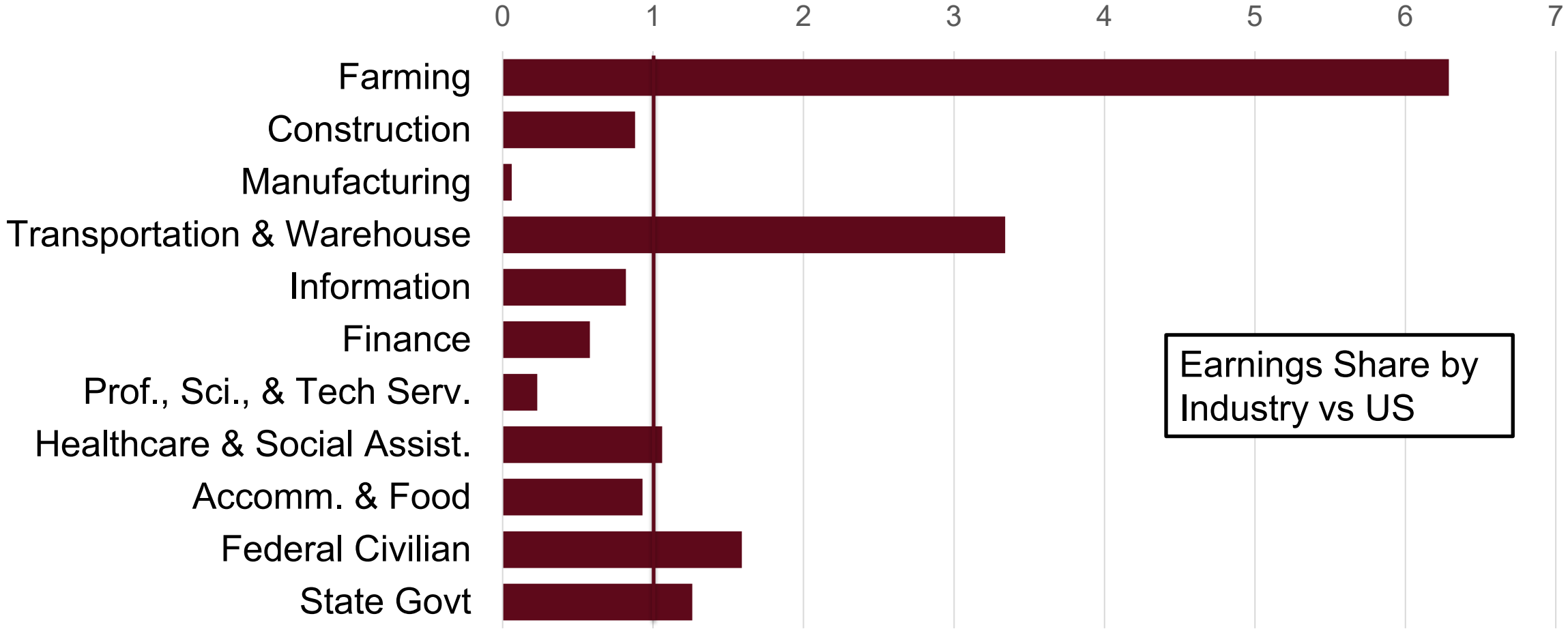
Sales Tax and Building & Plan Fee rebate incentives used to attract “unique business” to Tracy. Qualified businesses must:

- Engage in “retail sales” within the City limits of Tracy
- Classify as a “unique business”
- Provide 5 years of actual annual sales for its 2 closest locations
- Identify the City of Tracy as the point of sale

Example: City of Tracy Charges \$75,000 In Impact Fees On A New House But Rebates Up To 50% of Sales Taxes To Attract New Retail and Hospitality.



# What Are the Most Prominent Industries in Hill County? (Location Quotients, 2024 BEA data)



Earnings Share by Industry vs US



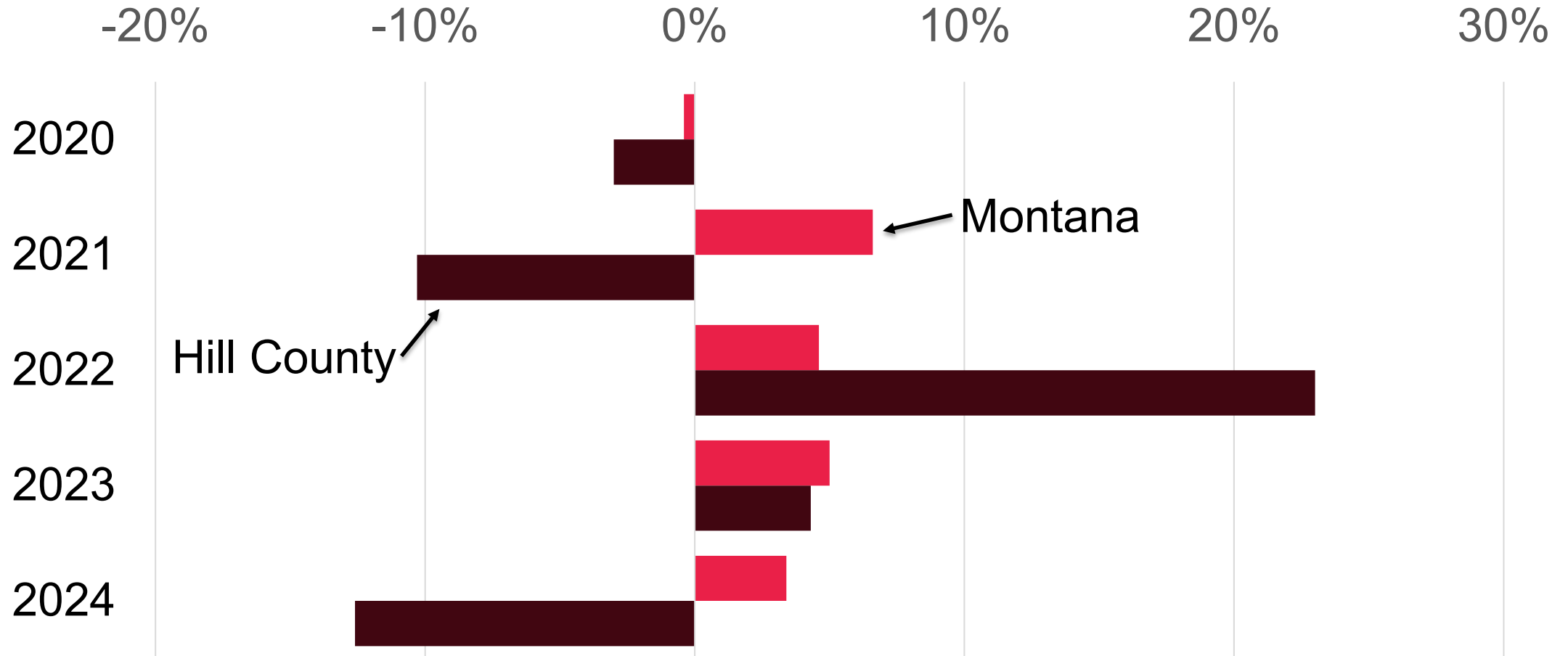
# Notable Details in Hill County 2024 Earnings Profile

- **Railroad Defines Transportation & Warehousing Concentration**
  - Rail Transportation Location Quotient Is Off The Chart (LQ=87.5)
  - Rail earnings jumped 20% in 2023 after several years of stagnation.
  - Rail Transportation Earnings of \$74 mil. Exceeds All of Healthcare and Social Assistance (\$70 mil.)!
- **Agricultural Sector is Big and Volatile – High Concentration Even In a Down Earnings Year**
- **Manufacturing Sector Is Extremely Small – Even By Montana Standards**
- **Government Somewhat Balances The High Dependence on Farms and Railroad.**
  - Fed: Border Control, BLM, Ag & State: UM-Northern

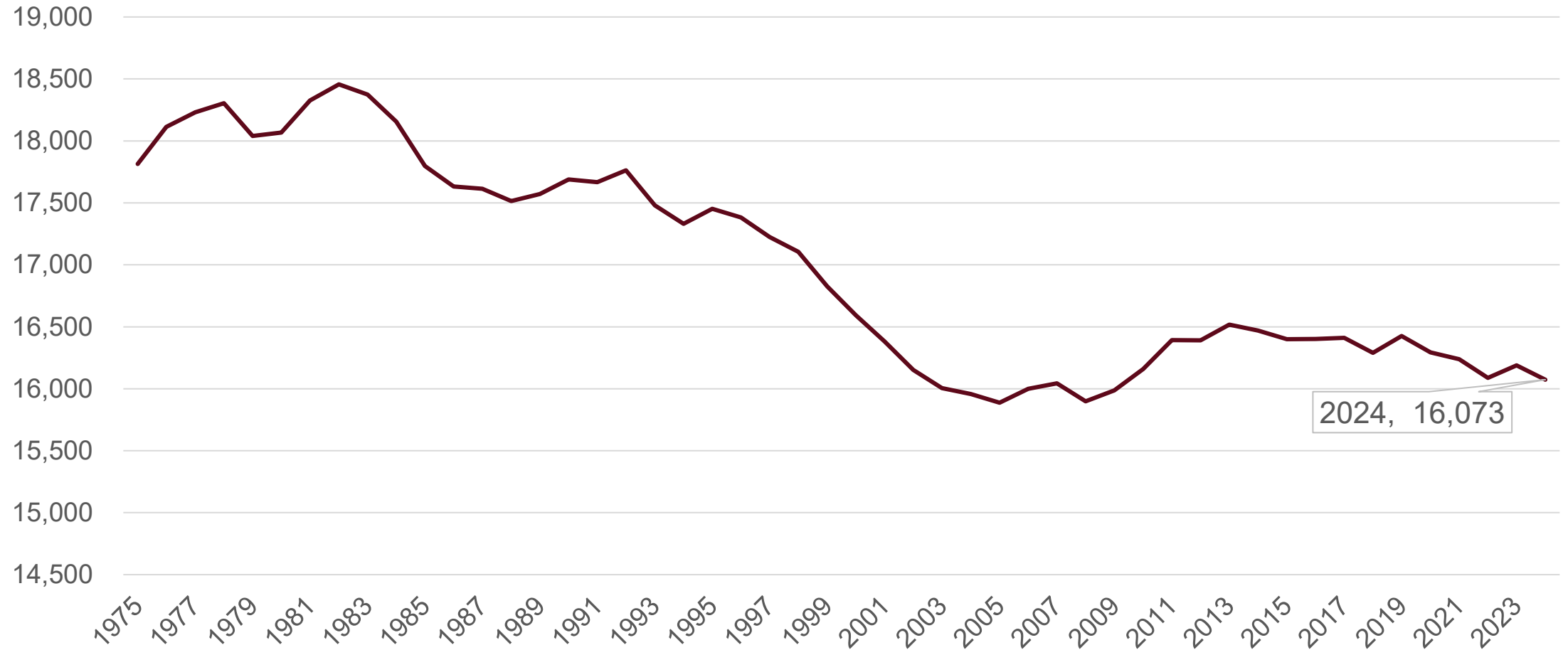


# GDP Data Indicate Growth Volatility: Mostly Due to Agriculture Sector

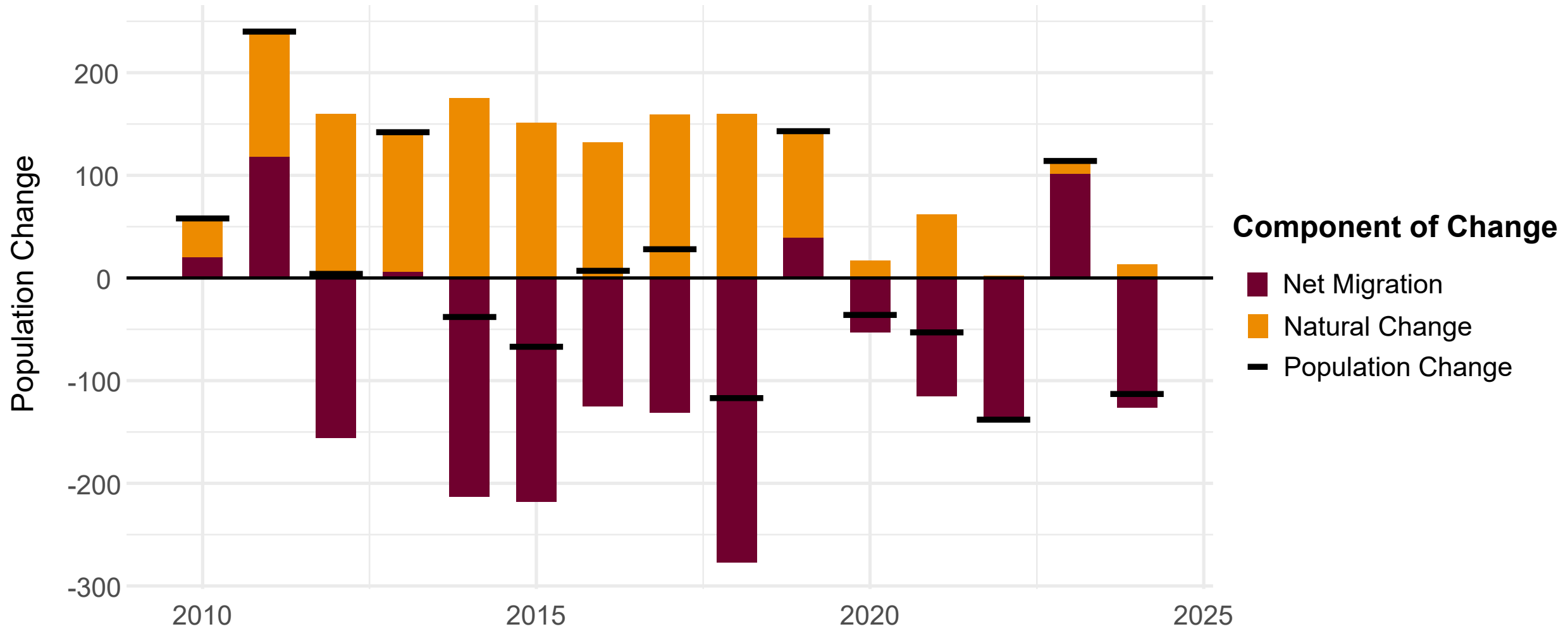
Percent Change in Real Gross Domestic Product



# Hill County Population

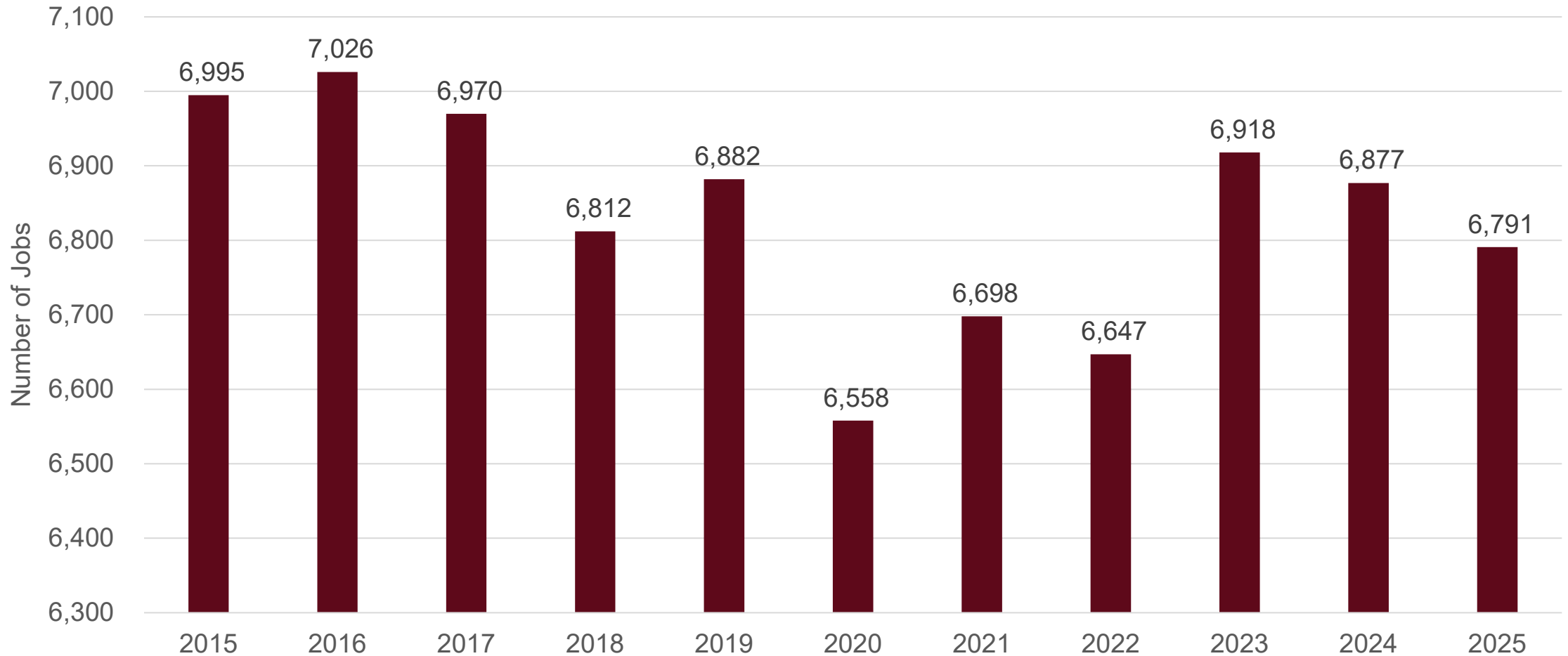


# Out-migration remains a challenge, as natural growth declines.



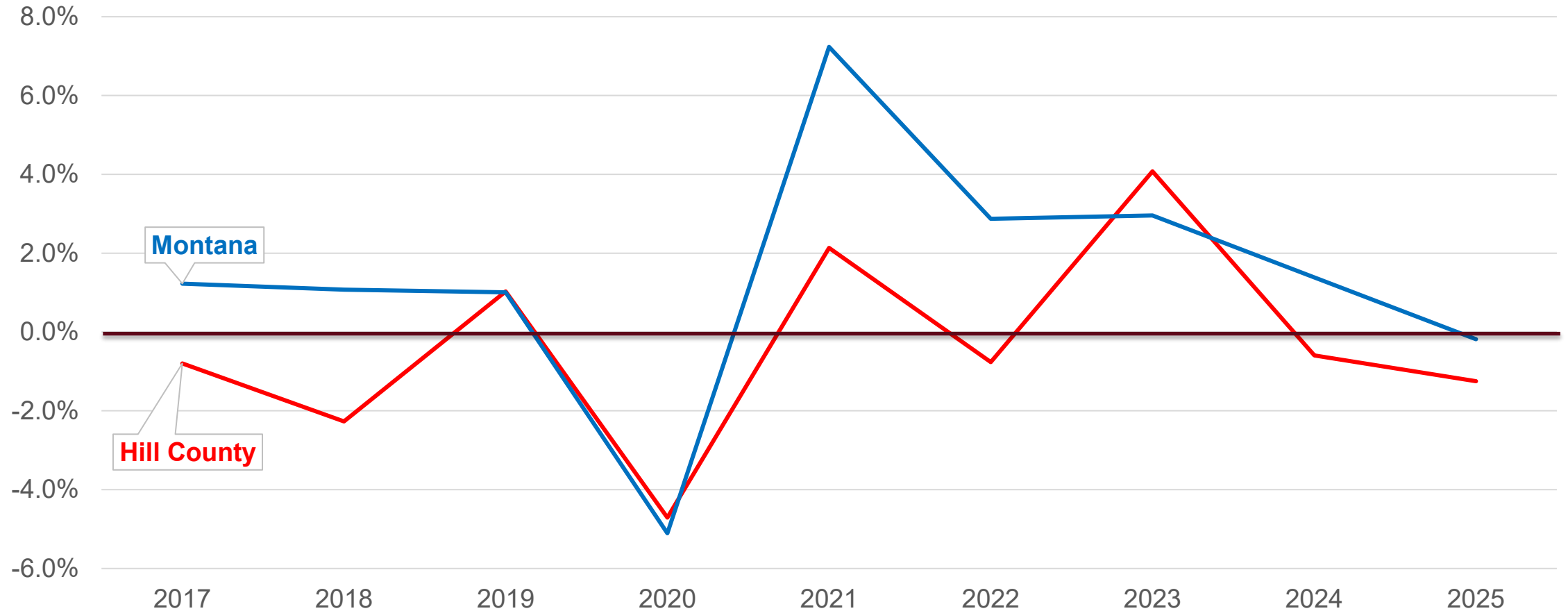
# Hill County Employment – Excludes Railroad (not UI)

(Source: Bureau of Labor Statistics, QCEW. Data is June each year)



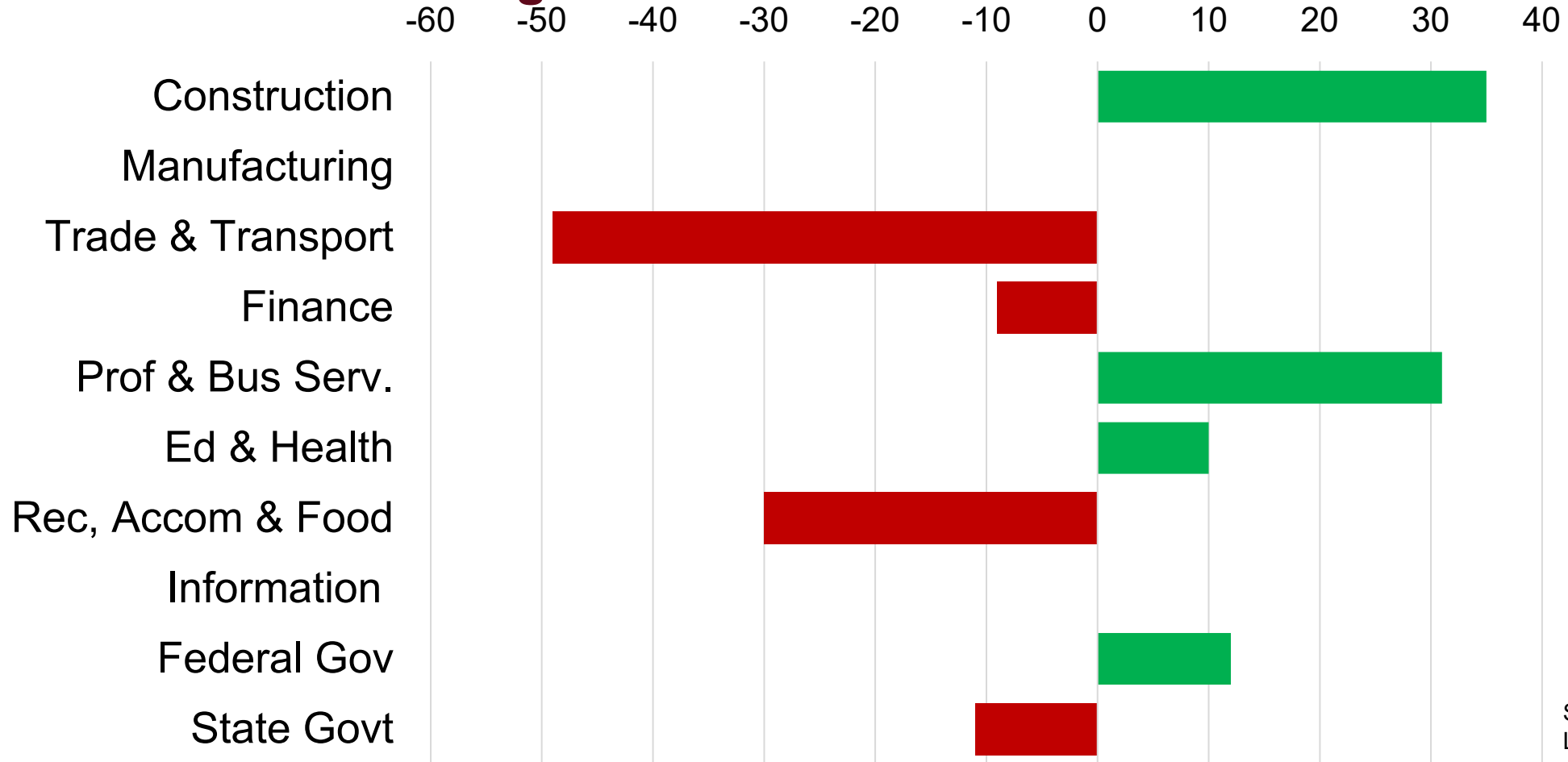
# Annual % Change in Jobs – Hill County

(Excludes Railroad Jobs)



# Recent Declines in Trade & Hospitality, Gain in Construction and Services

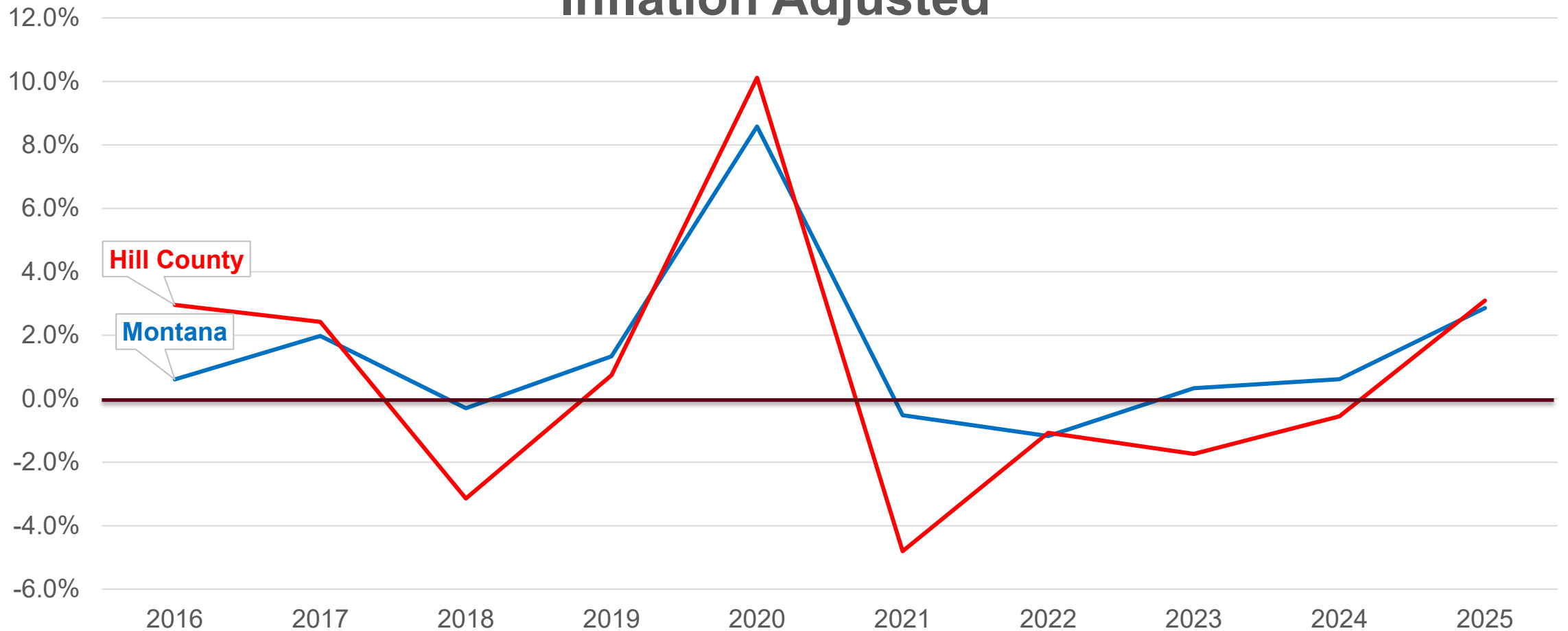
## Change in Jobs: June 2025 – 2024



Source: U.S. Bureau of Labor Statistics



# % Change in Average Weekly Wage – Hill County Inflation Adjusted



# Hill County Summary

- Strong gain in 2023 followed by weaker performance.
  - Although strong gain in avg. wages in 2025
  - Demographics remain challenging
- Agricultural volatility has created local challenges – several years of depressed prices and low earnings.
- Rail transportation sector is very large & critical to local economic performance.
  - Future growth depends on developing economic base beyond farming and rail.

