



CITY OF
**PALO
ALTO**

City Council Staff Report

From: City Manager

Report Type: INFORMATION REPORTS

Lead Department: Administrative Services

Meeting Date: May 4, 2026

Report #:2512-5679

TITLE

Q4 CY 2025 Sales Tax Digest (October - December 2025)

ANALYSIS

This report transmits information regarding the City of Palo Alto's sales tax receipts for the fourth quarter (October - December) of 2025. Highlights from the report are included below. Detailed discussion and data can be found in the Sales Tax Digest (Attachment A).

Regional and statewide sales tax - Benchmark Year (Attachment A, pg. 2):

- Palo Alto: decreased by 5.1%
- San Francisco Bay Area: decreased by 2.3%
- California statewide: decreased by 2.9%

City's most significant activity – Benchmark Year (Attachment A, pg. 1):

- Business to Business – Leasing: decreased by 82.2%; represents 3.6% of total sales tax
- Transportation – New autos: decreased by 12.2%; represents 12.0% of total sales tax

These two segments account for over 15% of Palo Alto's total sales tax for the period and were the primary drivers of the overall decline.

County Pool – 2024Q4 compared to 2025Q4 (Attachment A, pg. 4)

- Total County Pool: Increased by 23.1% or \$7.2 million, from \$31.3 million to \$38.4 million
- Total Jurisdiction Share:
 - Percent of county pool increased by 80 basis points, from 5.9% to 6.7%
 - Total share increased \$0.7 million, from \$1.8 million to \$2.6 million

Over the most recent four quarters, the City received approximately \$7.5 million from the County Pool, representing about 22% of the City's total sales tax revenue of \$35.7 million during that period. Further analysis is required to determine the factor(s) contributing to this increase and whether it's an isolated or ongoing increase.

ATTACHMENTS

Attachment A: 2025 Q4 Sales Tax Digest Summary

APPROVED BY:

Lauren Lai, Administrative Services Director