

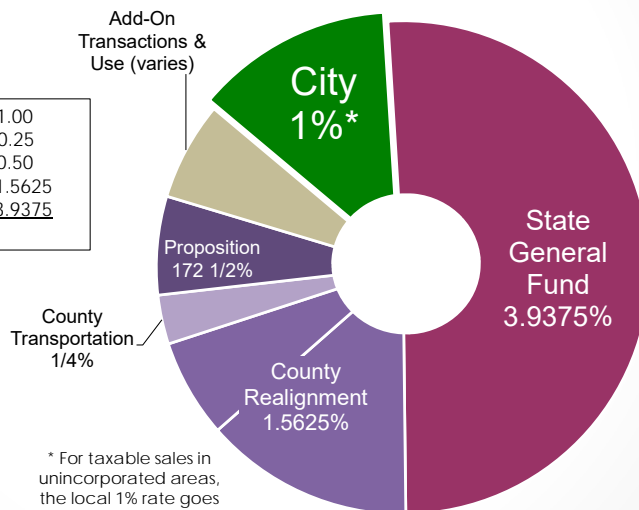
California's Local Sales and Use Tax in COVID-19 and Beyond

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Where Your Sales Tax Goes

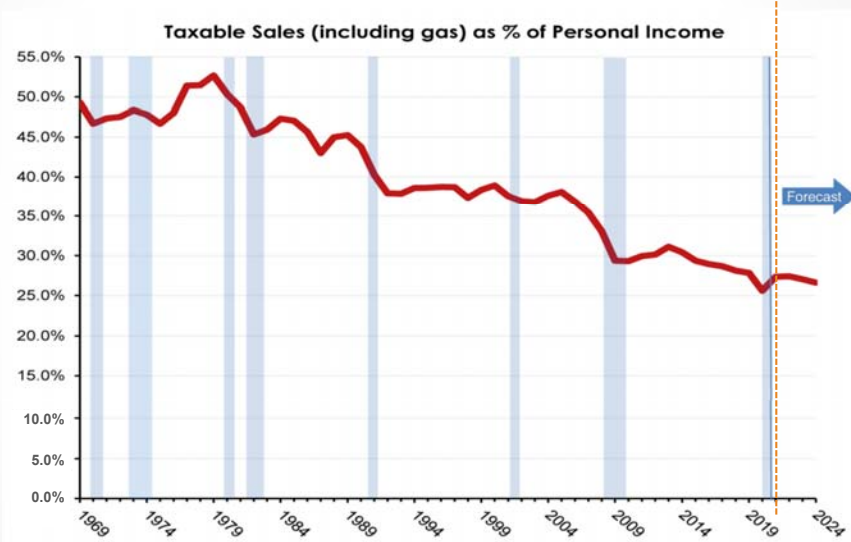
City*	1.00
County Transportation	0.25
Prop172 Public Safety	0.50
County Realignment	1.5625
<u>State General Fund</u>	<u>3.9375</u>
Total Base	7.25%



* For taxable sales in unincorporated areas, the local 1% rate goes to the county.



California Taxable Sales as a % of Personal Income

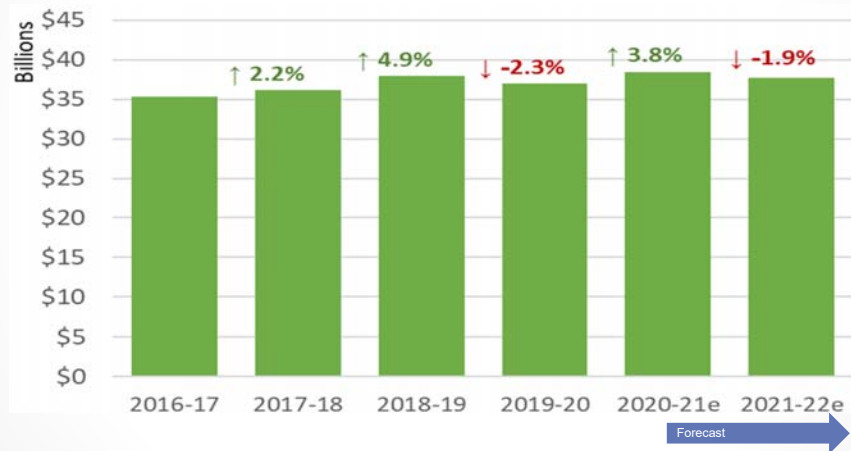


Sales and Use Tax Revenues Long Term Overall Trends for Cities

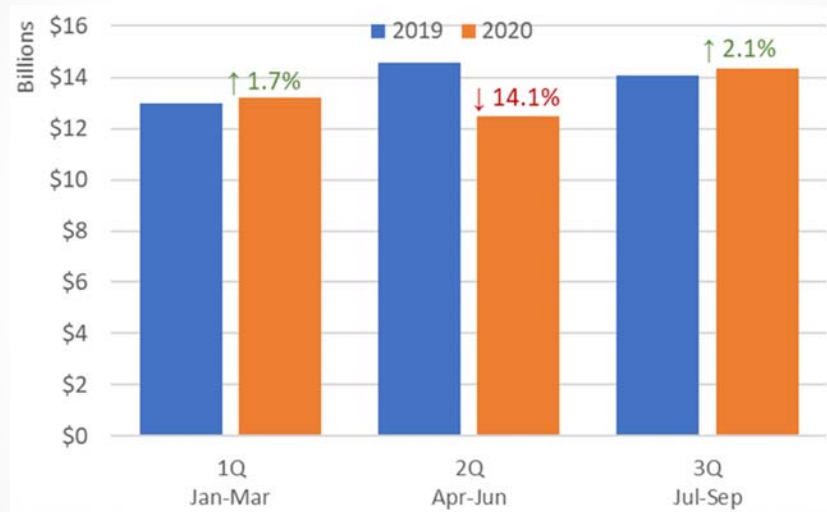
- Flat to declining long term trend for many cities
 - California does not apply sales tax to most services
 - Increasing concentration of situs of taxable sales among some – but not most.
 - Old reason: auto malls and big box retail
 - New reason: sales offices, warehouses – online sales
- Also affected...
 - County transportation ¼ cent
 - Proposition 172 ½ cent
- Local Add-On “Transactions & Use Taxes” (TUT) are different
 - Destination allocation (location of purchaser) concentration not an issue



California State Sales & Use Tax Revenues (Includes state general fund and realignment rates)

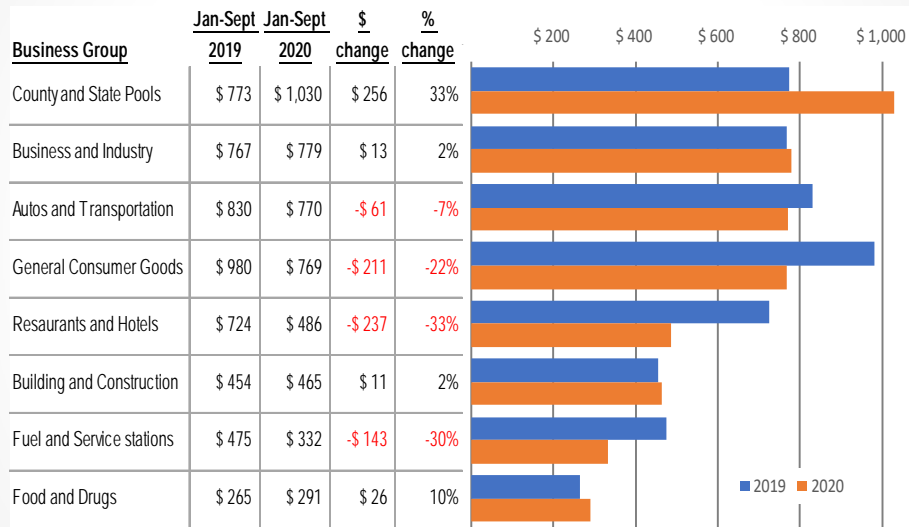


California Sales & Use Tax Collections



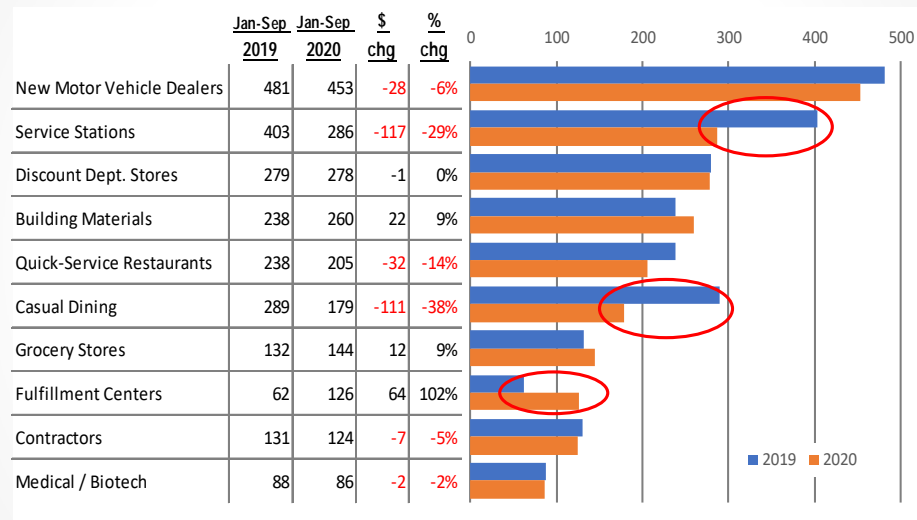
Sales & Use Tax by Business Group

\$ millions



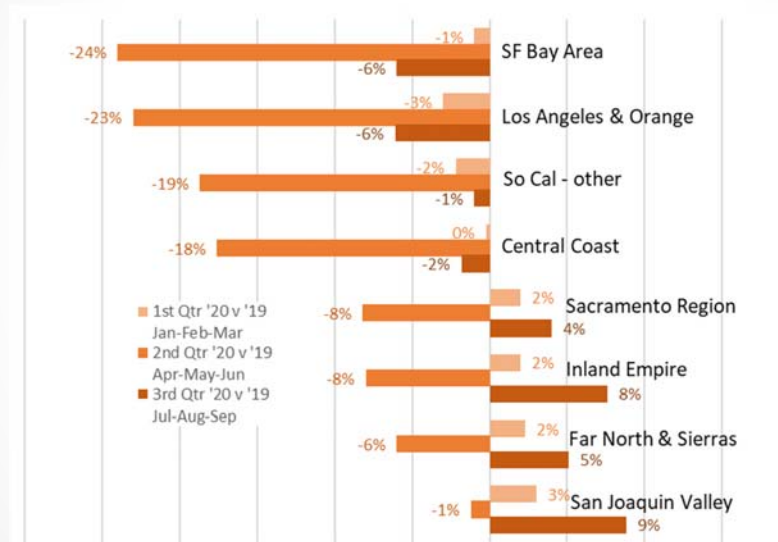
Top Ten Segments

\$ millions



Regions Affected Differently

Percentage Change in 2020 from Quarter 2019



Sales and Use Tax Revenues

COVID-19 Effects – Near Term

- Accelerated shift to on-line sales
 - Where retailer is out of state, Bradley Burns 1% tax goes through state/county pools
 - Where retailer is in-state, Bradley Burns 1% tax goes to retailer location – huge boost to fulfillment centers
- Strong Sectors through this fiscal year
 - Auto sales, lumber stores, fulfillment centers, agriculture, construction, energy/utilities, grocery, cannabis, home furnishings, take-out dining
- Continued weakness
 - Office furniture, service stations, fuel, apparel, fine dining
- Improved Collection due to AB147 & *SoDakota v Wayfair*
 - Has offset much of the loss – but this kicked in 4th Quarter 2019 – so we've seen the bump
- Federal Stimulus boost – helped ... may help in 2021



Sales and Use Tax Revenues

COVID-19 Effects – Longer Term

- Impacted sectors will rebound once vaccine and herd immunity is widespread
 - Restaurants, apparel, service-stations / fuel
 - Longer delay for areas dependent on international travel
- Will spike in some segments level off or fall back?
 - Home improvements, groceries, take-out dining, fulfillment centers, state/county pools



Local Add-On Sales Taxes

A.K.A "Transactions and Use Taxes," "District Taxes"

- Transactions and Use Taxes (TUT) are different
- For TUT, the situs is always the location of the buyer
 - Over-the counter: same as sales tax for
 - Online: location of product delivery
 - i.e., not through pools, not to fulfillment center



Local Add-On Sales Taxes

A.K.A “Transactions and Use Taxes,” “District Taxes”

- 64 TUT measures approved November 2020
 - 14 extensions of existing rates
 - 50 new or increase rates. All majority vote general purpose except two:
 - 1/8 cent three SF Bay Area county Measure RR tax for passenger rail
 - 1/4 cent Sonoma County Measure DD tax for affordable housing
- 263 cities* have approved add-on sales tax rates (TUT)
- 33 countywide – including “self-help” transportation rates
- 3 counties have rates that apply only in unincorporated areas



You Need This ...

An essential resource for anyone involved in local government finance in California.

Up-to-date information on local fees, taxes, charges and intergovernmental revenue for local governments including laws, court decisions, state tax rates and allocation formulas.

- ✓ Data and charts
- ✓ Relevant history and issues
- ✓ Legal references
- ✓ Definitions of terms
- ✓ Capital financing and cost recovery
- ✓ Detailed guidance for calculating a Gann Appropriations Limit

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