

Local Sales and Use Tax “Sourcing”: Rules for Rate and Allocation

“Sourcing” is the term used by tax practitioners to describe the rules used to determine the place of sale, and therefore, which tax rates are applied to a given purchase and which jurisdictions are entitled to the local and district taxes generated from a particular transaction. In most cases, this doesn’t affect over-the-counter sales where the location of the business and the location of receipt by the purchaser are the same.

However, in cases where the location of the purchaser, the seller and the product are in different locations, the definitions of source become important. Location of the seller’s office? Location of the product inventory? Location where the product is delivered to the consumer? Location where the product is first used? This has become a critical issue for cities as the nature of retail transactions changes.

Origin Sourcing

“Origin sourcing” is a sales tax practice under which sales taxes for purchases of goods that are shipped to purchasers are generally sourced to the business location of the retailer where the sale originates.

In an origin sourcing framework, the sale of a product is sourced to the place of business of the seller - whether the product is received by the purchaser at the seller’s business location or not. However, if the tangible personal property sold is delivered to an out-of-state destination or to a common carrier for delivery to an out-of-state destination, the sale is exempt from tax.

States Using Origin as the Situs for Sales Tax Allocation				
Arizona	Illinois	Pennsylvania	Missouri	Utah
California	New Mexico	Mississippi	Texas	Virginia

Destination Sourcing

“Destination sourcing” rules stipulate that retail sales be sourced to the location where the purchaser receives the property. If this information is not available to the retailer at the time of sale, there are alternate methods to source the tax.

In a destination sourcing framework, the sale of a product is usually be sourced as follows:

1. When the product is received by the purchaser at the seller’s business location, the sale is sourced to that business location. (Same as Origin Sourcing in practice)
2. When the product is not received by the purchaser at the seller’s business location, the sale is sourced to the location where receipt by the purchaser occurs, including the location a) indicated by delivery instructions known to the seller or b) the address for the purchaser as indicated in the seller’s records.

Most states use destination-based sourcing rules for sales tax.

States Using Destination as the Situs for Sales Tax Allocation				
Alabama	Hawaii	Maine	New Jersey	South Carolina
Arkansas	Idaho	Maryland	New York	South Dakota
Colorado	Indiana	Massachusetts	North Carolina	Tennessee
Connecticut	Iowa	Michigan	North Dakota	Vermont
District of Columbia	Kansas	Minnesota	Ohio	Washington
Florida	Kentucky	Nebraska	Oklahoma	West Virginia
Georgia	Louisiana	Nevada	Rhode Island	Wisconsin
				Wyoming

California's Blended Method

California is primarily an origin-based sourcing state. However, California uses a form of destination sourcing for the local use tax and for district taxes (also known as "transactions and use taxes" or "add-on sale and use taxes").

In summary, California's origin sourcing rules for the local sales tax (i.e., Bradley Burns 1%) are:

1. The sale is sourced to the place of business of the seller - whether the product is received by the purchaser at the seller's business location or not.
2. If the tangible personal property sold is delivered to an out-of-state destination or to a common carrier for delivery to an out-of-state destination, the sale is exempt from tax.
3. If the retailer maintains inventory in California and has no other in state location, the source is the jurisdiction where the warehouse is situated.
4. If the order desk/sales office is located in California but the merchandise is shipped from out of state, the tax from transactions under \$500,000 is allocated via the county pools. The tax from transactions over \$500,000 is allocated to the jurisdiction where the merchandise is delivered.
5. When a sale cannot be identified with a permanent place of business in the state, the sale is sourced to the allocation pool of the county where the merchandise was delivered and then distributed among all jurisdictions in that county in proportion to ratio of sales. If the county of delivery cannot be identified, the revenue is distributed among all jurisdictions in the state in proportion to ratio of sales.

California's Bradley Burns Sales and Use Tax

The allocation of the Bradley-Burns local sales tax revenue in California first depends on whether the transaction is subject to sales tax or to a use tax. **Sales tax** applies on a taxable sale if 1) the seller's registered place of business is in California and 2) title of the goods passes to the customer within this state. If both of these conditions are not met, the transaction is subject to a **use tax**.

Sales tax is allocated to the jurisdiction where the principal negotiations are carried out or where the order is taken. For a site within a given jurisdiction to qualify as a "point of sale," "the seller must have a proprietary interest in the site (owns or leases) and have its own employees operating at the site who customarily negotiate sales or take orders.¹ If the seller does not have a sales office or order desk in California but does maintain an in-state stock of goods that the seller owns and controls through its own employees, the in-state location from where the goods are delivered becomes the "point of sale."²

The Jet Fuel Exception.

The tax on jet fuel is allocated to the jurisdiction where the plane is fueled. By contrast, the tax on fuel (e.g. motor vehicle fuel, etc.) sold at unmanned cardlock stations is allocated to the jurisdiction where the contract is negotiated.

¹ Territorial sales people working out of their homes and independent manufacturer's representatives do not qualify as a "point of sale."

² If the sales price includes permanent affixation to the buyer's property or if the transaction is financed by lease for a period of 30 days or longer, the transaction is subject to use tax.

Use tax applies when title to the purchased goods passes to the customer from out-of-state which is the case for most catalog or online orders when shipped from out-of-state destinations.³ Title is deemed to pass to the customer at the time the goods leave the seller's dock and are turned over to the common carrier who will be delivering the merchandise. Other transactions subject to use tax include catering trucks, auctions, vending machines, and itinerant vendors where it is impractical to identify the multiple jurisdictions where the seller operates. Purchases of vehicles registered at the Department of Motor Vehicles from private parties without a seller's permit are also considered as use tax.

The local (i.e. Bradley Burns) share of **use tax** is allocated to the county where the property is first placed into first functional use, the so-called "county pool."

Jet Fuel Exception. The tax on jet fuel is allocated to the jurisdiction where the plane is fueled. By contrast, the tax on fuel (e.g. motor vehicle fuel, etc.) sold at unmanned cardlock stations is allocated to the jurisdiction where the contract is negotiated.

Countywide and Statewide Pools in California

Under current California State Board of Equalization (BOE) regulations, a substantial portion of local use tax collections are allocated through a countywide pool to the local jurisdictions in the county where the property is put to its first functional use. The state and county pools now constitute over 15% of local sales and use tax revenues. Under the pool system, the tax is reported by the taxpayer to the countywide pool of use and then distributed to each jurisdiction in that county on a pro-rata share of taxable sales. If the county of use cannot be identified, the allocation goes to the state pool for pro-rata distribution on a statewide basis.

BOE rules call for the use of these pools rather than sending the revenue to the jurisdiction of first use despite the fact that - in most cases now - transactions include a district tax component which is allocated not to any pool, but to the specific jurisdiction. For example, Amazon collected an 8% rate on my purchase of a book last week, the total rate in my hometown. This includes a 0.5 percent rate, the add-on transactions and use tax (district tax) allocated to my city. But the Bradley Burns one percent portion of the tax I paid goes into the county pool and is shared among all cities and the county. Under destination sourcing rules, that local one percent would be allocated to the city, a stronger move toward true situs allocation.

The largest components of these pools are from:

- Private party sales of vehicles, vessels and aircraft registered at the Department of Motor Vehicles, and mobile homes reported by the Department of Housing and Community Development.
- Private party sales of vessels (not required to register with the DMV) and aircraft purchases.
- Use tax paid by contractors who are considered consumers of materials purchased without tax, but used by the contractor in the improvement of real property, and whose job site is regarded as the place of business.
- Merchandise shipped directly to consumers by common carrier from inventory located outside the state with the title passing out of state.

Revenue from the Pool:

An Example

A city generating 4% of all taxable sales in a given county receives 4% of the pool.

³ Free On Board - FOB is a trade term requiring the seller to deliver goods on board a vessel designated by the buyer.

- Long term leases of tangible personal property except long term leases of motor vehicles (see below).
- Catering trucks, itinerant vendors, vending machine operators and other permit holders who operate in more than one local jurisdiction and are unable to readily allocate taxable transactions to specific points of sale.
- Use tax on purchases consumed at non-selling facilities (research and development, for example.)
- Use tax on motor vehicle leases negotiated by out-of-state leasing companies.

State law does provide special allocation procedures for use taxes collected on certain products. Generally, these special allocation rules allow use tax revenue that would otherwise be shared via the countywide and statewide pools to be directly allocated to the jurisdiction of use. These include:

- **Long Term Leases of Motor Vehicles (greater than four months):** Sales tax from rentals of equipment and vehicles is allocated to the jurisdiction where the rental company is located. Rentals exceeding four months or longer are considered long term leases. When the leased vehicle is either purchased from a California dealer or leased by a California dealer-lessor, the tax is allocated to the place of business of the dealer or lessor. If the leased vehicle comes from an out-of-state source, the tax is allocated through the county-wide use tax allocation for the county in which the vehicle is registered.
- **Auctioneers** conducting auction events at locations other than their regular place of business when the taxable sales total \$500,000 or more: The local tax is to be allocated to the jurisdiction in which the auction occurs.
- **Construction Contracts equal or greater than \$5,000,000.** Construction contractors have the option to allocate use tax on materials consumed and fixtures furnished directly to the jurisdiction where the jobsite is located if the sales or purchase value exceeds \$5 Million. The Board of Equalization will not allocate to the jobsite if a sub permit for the location is not taken out prior to commencement of the project.
- **Sales and Purchases of \$500,000 or More Subject to Use Tax.** Use tax from transactions by out-of-state retailers who are engaged in business in California is allocated to the jurisdiction in which the first functional use of the property occurs. This generally is deemed to be the jurisdiction to which the goods are shipped.

California's District Taxes (Transactions and Use Tax add-on rates)

There are currently 135 municipal (city) transactions districts and 44 countywide districts with voter approved transactions and use tax rates apply in addition to the 7.25% combined state and local sales and use tax. Unlike the rest of the California combined sales tax rate, these district transactions and use taxes generally use a form of destination sourcing.

If the seller in a taxable transaction is engaged in business in a district where the property is shipped for use, the retailer is required to collect the district use tax from their customers in that district.⁴ This applies to most taxable transactions.

⁴ However, the transactions and use tax does not apply if the property is delivered by the retailer or his or her agent to an out-of-state or out of district destination, or to a common carrier for delivery to an out-of-state or out-of-district destination.

If a retailer is engaged in business⁵ in a district where the property is shipped for use, the retailer is required to collect the district use tax from their customers in that district.

In cases where the tax applies but is not collected (e.g., where the seller has insufficient legal nexus in California, etc.), the use tax component of the district transactions and use tax rate is to be paid by the purchaser.

In implementation, district transactions and use taxes are applied the same as the sales and use tax except:

- Sales of property made in a tax district and delivered to a customer outside the district may not be subject to the district tax.
- Retailers located outside a district delivering property into a district may be required to collect the district's tax if they are "engaged in business" in the district.
- Retailers or lessors of vehicles or undocumented vessels are required to collect district use tax imposed in the district(s) of registration.
- Sales of tangible personal property, other than fuel or petroleum products, to operators of aircraft are exempt if (1) the aircraft is used as a common carrier of persons or property and (2) the property purchased will be used or consumed principally outside the district where the sale was made.
- Fixed price contracts, including leases entered into prior to the starting date of a new district tax may not be subject to that district tax.

In the particular case of motor vehicle sales, the district tax is sourced to the location where the property is registered.

⁵ "Engaged in business" means that the seller does any of the following: • Maintains, occupies, or uses any type of office, sales room, warehouse, or other place of business in the district, even if it is used temporarily, indirectly, or through an agent or subsidiary. • Has any kind of representative operating in the district for the purposes of making sales or deliveries, installing or assembling tangible personal property, or taking orders. • Receives rentals from a lease of tangible personal property located in the district. • Sells or leases vehicles or undocumented vessels which will be registered in a district. • Leases, stores, or consumes tangible personal property in the district.

Fig1: Typical "Over the Counter" Transaction

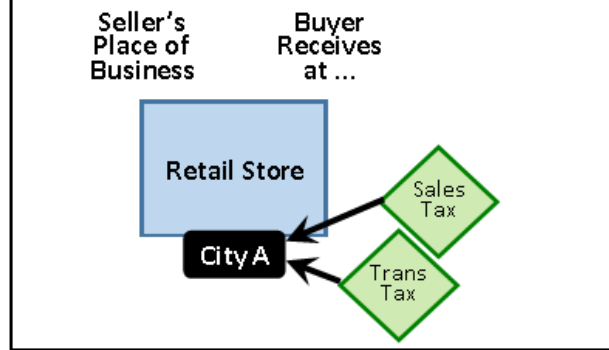


Fig2: Dealership Automobile Sale

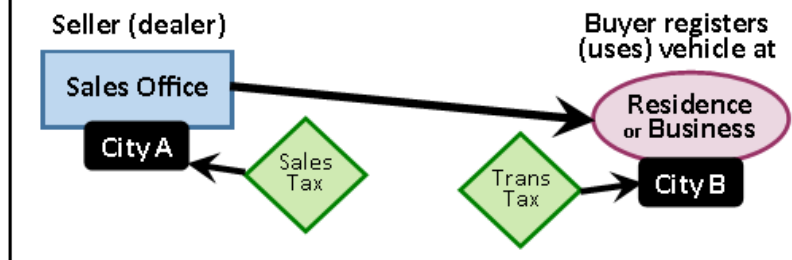
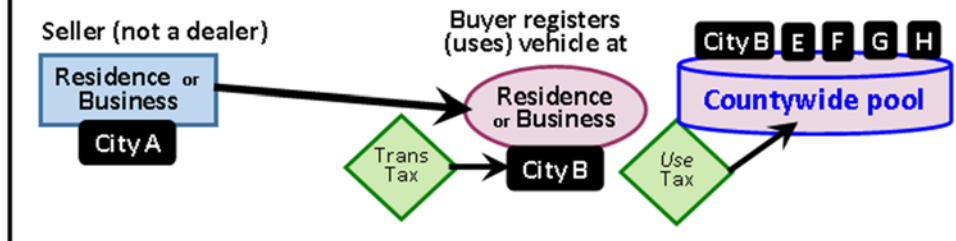
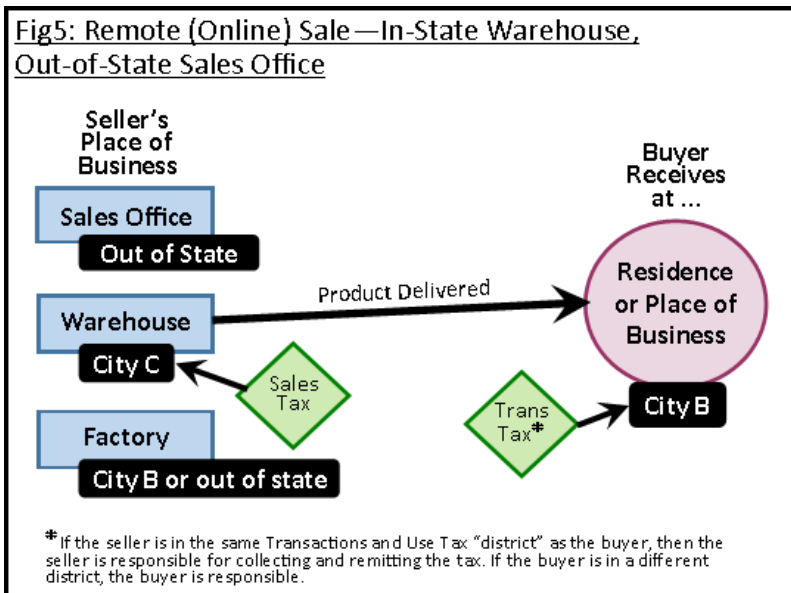
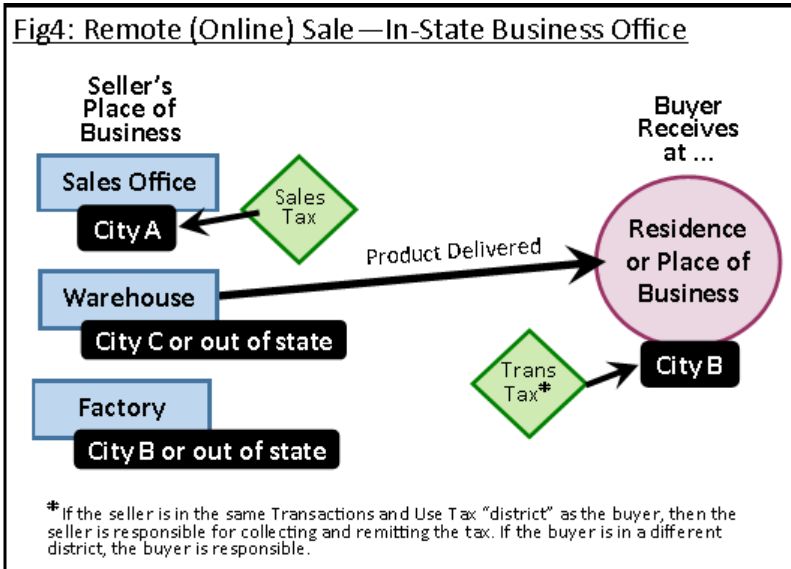
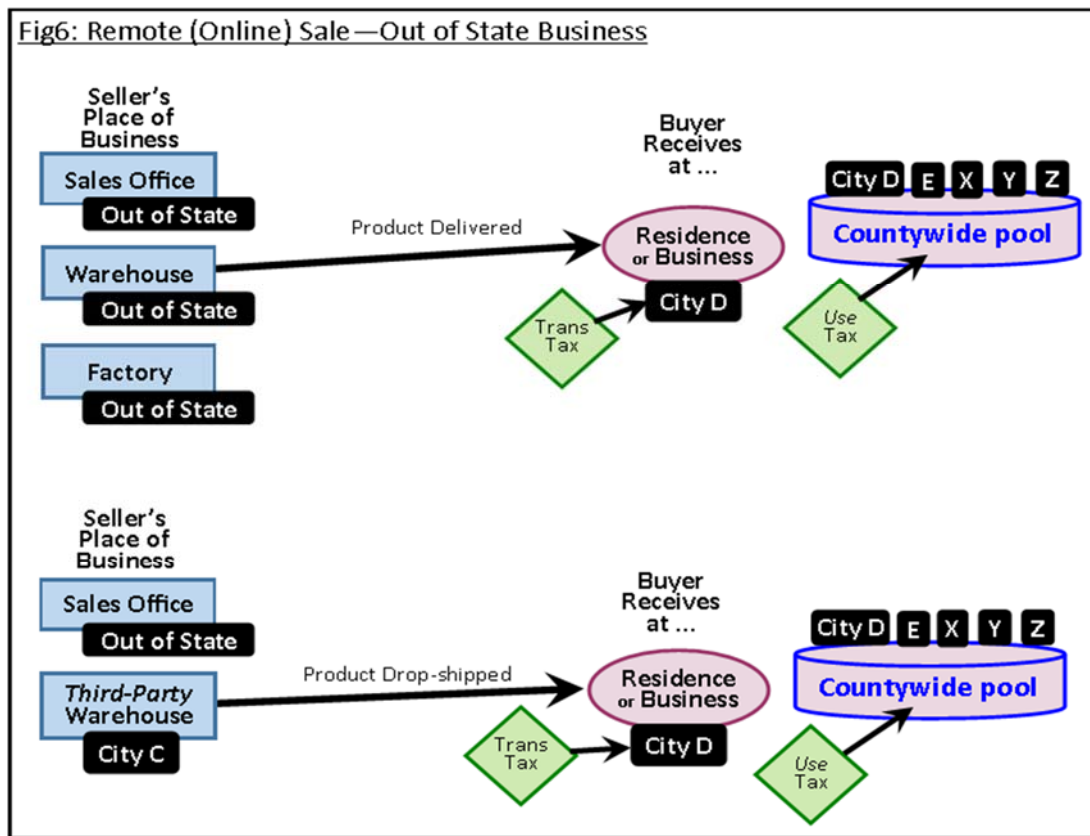


Fig3: Private Party Automobile Sale







GUIDELINES FOR ALLOCATION OF LOCAL TAX - ONLINE AND IN-STORE			
Place of Sale	Location of Goods at the Time of Sale	How Customer Receives Goods	Allocation of Tax
Online – Order is placed or downloaded outside California	California Fulfillment Center	Shipped to California Customer	Local tax is allocated to the jurisdiction in which the fulfillment center is located
Online – Order is placed or downloaded in California	California Fulfillment Center	Shipped to California Customer	Per CDTFA Regulation 1802, local tax is allocated to the jurisdiction where the order is placed
Online	Out of State Fulfillment Center	Shipped to California Customer	Local tax is allocated to the countywide pool based on point of delivery
Online	Out of State Fulfillment Center	Picked Up In-Store (Click & Collect)	Local tax is allocated to the countywide pool based on point of delivery
Online	California Fulfillment Center Owned and Operated by Third Party Vendor	Drop-Shipped to California Customer	Local tax is allocated to the countywide pool based on point of delivery
Online	In-Store (Goods withdrawn from store inventory)	Shipped to California Customer	Local Tax is allocated to the jurisdiction where the store is located
Online	In-Store (Goods withdrawn from store inventory)	Picked Up In-Store (Click & Collect)	Local Tax is allocated to the jurisdiction where the store is located
In-Store	In-Store (Goods withdrawn from store inventory)	Over the Counter	Local Tax is allocated to the jurisdiction where the store is located

Courtesy of HdL Companies

Tax Incentive Programs, Sales Tax Sharing Agreements

In recent years, especially since Proposition 13 in 1978, local discretionary (general purpose revenues) have become more scarce. At the same time, options and procedures for increasing revenues have become more limited. One outcome of this in many areas has been a greater competition for sales and use tax revenues. This has brought a rise in arrangements to encourage certain land use development with rebates and incentives which exploit California's odd origin sales tax sourcing rules.

The typical arrangement is a sales tax sharing agreement in which a city provides tax rebates to a company that agrees to expand their operations in the jurisdiction of the city. Under such an arrangement, the company generally agrees to make a specified amount of capital investment and create a specific number of jobs over a period of years in exchange for specified tax breaks, often property tax abatement or some sort of tax credit. In some cases, this has simply taken the form of a sales office, while customers and warehouses and the related economic activity are disbursed elsewhere in the state. In some cases the development takes the form of warehouses, in which the sales inventory, owned by the company, is housed.⁶

Current sales tax incentive agreements in California rebate amounts ranging from 50% to 85% of sales tax revenues back to the corporations.

Today, experts familiar with the industry believe that between 20% to 30% of local Bradley-Burns sales taxes paid by California consumers is diverted from local general funds back to corporations; over \$1 billion per year.

The Source of Origin Based Sourcing Problems

Where other than over-the-counter sales are concerned origin sourcing often causes a concentration of large amounts of tax revenue in one location, despite the fact that the economic activity and service impacts are also occurring in other locations.

The large amounts of revenue concentrated in a few locations by California's "warehouse rule" origin sourcing causes a concentration of revenue far in excess of the service costs associated with the development.

In order to lure jobs and tax revenues to their communities, some cities have entered into rebate agreements with corporations. This has grown to such a problem, that 20% to 30% of total local taxes paid statewide are being rebated back to corporations rather than funding public services.

Moving to Destination Sourcing: The Concept⁷

A change from origin sourcing rules to destination sourcing rules for the local tax component of California's sales tax would improve overall revenue collections and distribute these revenues more equitably among all of the areas involved in these transactions.

A change from origin based sourcing to destination based sourcing would have no effect on state tax collections. However, it would alter the allocations of local sales and use tax revenues among local agencies. Most retail transactions including dining, motor fuel purchases, and in-store purchases would not be affected. But in cases where the property is received by the purchaser in a different jurisdiction than where the sales agreement was negotiated, there would be a different allocation than under the current rules.

⁶ See Jennifer Carr, "Origin Sourcing and Tax Incentive Programs: An Unholy Alliance" Sales Tax Notes; May 27, 2013.

⁷ The same issues that are of concern regarding the local sales tax do not apply to California's Transactions and Use Taxes ("Add-on sales taxes") as these transactions, when not over the counter, are generally allocated to the location of use or, as in the case of vehicles, product registration. There is no need to alter the sourcing rules for transactions and use taxes.

Under California's current origin based sourcing rules, retail sales are generally sourced to the local jurisdiction of the retailer's place of business and where the principal sales negotiations took place. Under destination based sourcing, sales are instead sourced to the jurisdiction where the purchaser receives the property, if the information is available to the retailer at the time of sale. If the location where the purchaser takes possession of the property is not known by the seller, alternative methods to source the tax include (in order):

- the location indicated by delivery instructions known to the seller,
- the location indicated by the address of the purchaser available in the seller's records,
- the location of the purchaser's payment instrument, or
- the location from which the property is shipped.

Moving to destination based sourcing rules will not reduce the amount of local tax collected (in fact it will INCREASE the overall amount of tax retained by cities and counties), but it would result in different allocations among local jurisdictions. These differences would occur in cases where a retailer ships or delivers the property sold to locations outside the local jurisdiction of the retailer's place of business. Specifically, a different allocation would occur under destination sourcing if:

1. The sold property is delivered to the purchaser in another taxing jurisdiction, or
2. The purchaser receives the property at a retailer's business location other than where the principal negotiations took place.

Cities and counties that are comprised of a large number of retailers that routinely sell property that is shipped or delivered to purchasers outside their local jurisdiction may see a reduction in tax revenues compared to the current origin based system. But cities and counties that are comprised of businesses with a significant amount of over-the counter sales and residences that receive property from outside their local jurisdiction, may see an increase in local revenues.

Moving to Destination Sourcing: Issues

1. Destination Sourcing Would Add Some Complexity for Some Sellers.

For most transactions, including brick and mortar transactions and any transaction in which the seller delivers the product within the same jurisdiction, the seller's tracking and reporting would be no different under destination rules. However, for deliveries outside the jurisdiction in which the seller resides, destination sourcing requires more information tracking. Under origin-based sourcing, sellers generally only have to know the sales tax rates in effect where their place of business is located. Destination-based sourcing requires sellers to properly apply sales tax rates for all the jurisdictions into which they deliver taxable items.

However, California's transactions and use taxes (district taxes), now numbering over 121, require a seller to collect and remit the tax for a district if a delivery is made into that district AND the seller is "engaged in business" in that district. Large retailers with multiple locations are now, as a matter of practice, tracking collecting and remitting district tax rates. So the location of "receipt" is already being tracked and used for tax reporting. It seems no more difficult to apply this information to the sourcing of rest of the sales tax. In fact, it is arguably simpler and many large remote sellers are – for various reasons - already sourcing their transactions as "use tax" rather than sales tax.

A switch to destination sourcing would create a greater compliance burden for smaller sellers who do not currently use programs or databases to assist them in properly collect taxes. However, such programs are readily available.

2. Destination Sourcing Would Increase City and County Revenues

A switch to destination sourcing would increase city general fund revenues by over \$800 million and as much as \$1.5 billion per year. This amounts to an increase in sales tax revenues for every city of \$25 to \$50 per resident per year.

3. A Switch to Destination Sourcing would Alter Revenue Allocations Among Cities and Counties

The greatest concern regarding the switch from origin-based to destination-based sourcing is the redistribution of local sales taxes from jurisdictions where taxable items are purchased to jurisdictions where the items are delivered.

A switch to destination sourcing would cause some shift in sales and use tax revenue allocation among cities and counties. Cities with less than average per resident taxable sales of products that are delivered to locations outside the jurisdiction will see an increase in revenues. Cities with a greater-than-average per resident amount of taxable sales of products delivered other locations will see some loss. In some cases, this loss will exceed the gain in revenues from the added amount of revenues to all cities (above). It is not possible to derive reasonable estimates of the effect of this redistribution for each of California's 533 cities and counties.

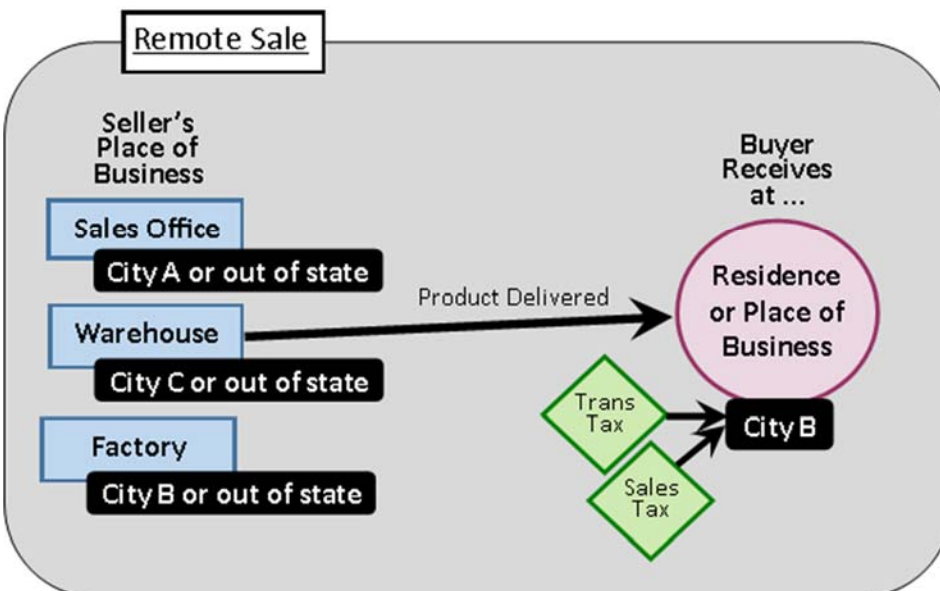
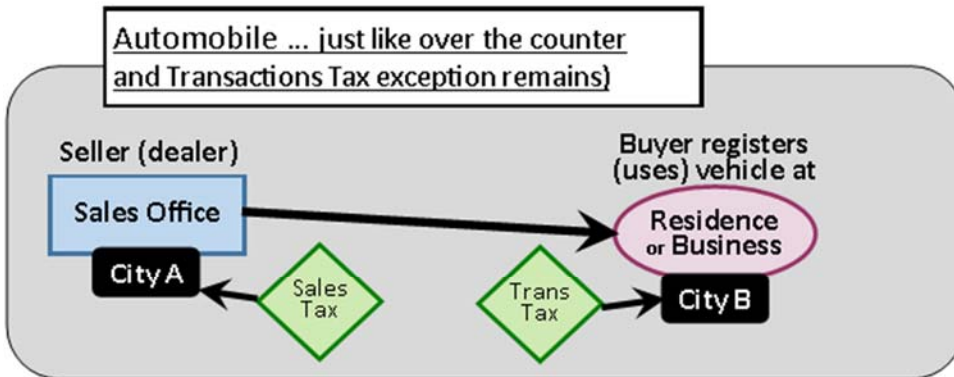
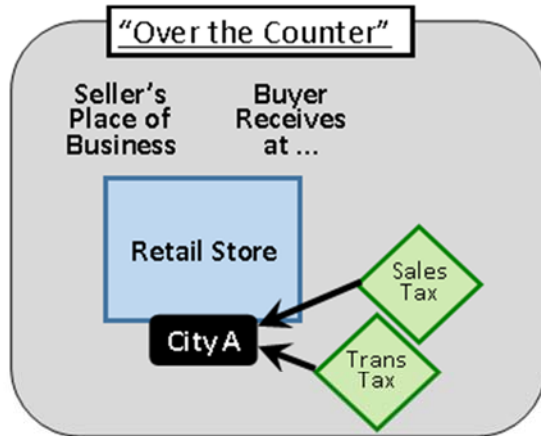
4. Destination Sourcing Rules Reduce the Incentive for Tax Rebate Agreements

Add-on transactions and use taxes would not need to change. California's Transactions and use tax is already a form of destination sourcing. The exception is the special provisions for motor vehicles where the district tax is sourced to the location where the property is registered. A change in the sourcing method of the Bradley Burns rate would not require an alteration of these rules. In effect, taxes would be applied to auto sales just as they are now.

5. Out of the Pool: Destination Sourcing Would Allocate Revenue to the True Locations of Economic Activity.

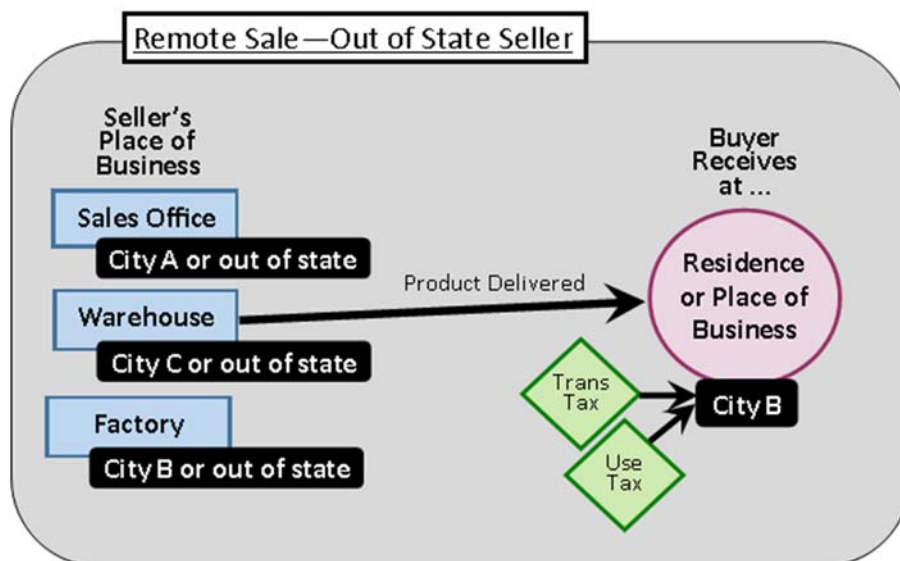
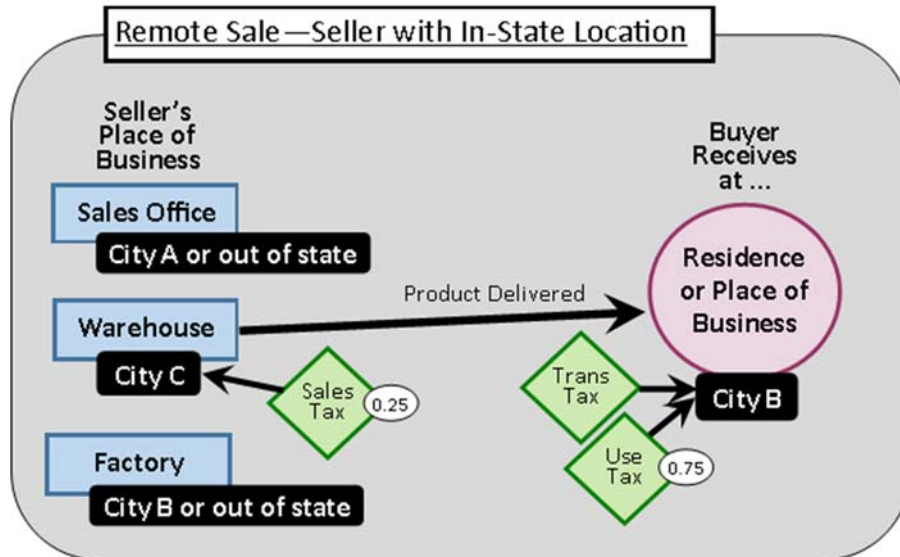
As a part of the shift to destination based sourcing, most revenues currently allocated to pools would instead be allocated to the specific jurisdiction where the property is received. Statewide and countywide pools would only be used when it is too difficult for a retailer to identify and report tax to specific jurisdictions. In this way destination sourcing allocates these tax revenues more closely to the situs of the economic activity (the sales transaction).

Destination Sourcing Scenario 1: Full-On



Destination Sourcing Scenario 2: Split Source

- Same as now for “over the counter” and automobile.
- Leave 0.25% on current seller if instate (origin)
- Could be phased in.



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ATTACHMENT ONE: Existing League Policy

The League of California Cities' existing policies and guiding principles include the following pertinent points:⁸

1. Revenue from new regional or state taxes or from increased sales tax rates should be distributed in a way that reduces competition for situs-based revenue. (Revenue from the existing sales tax rate and base, including future growth from increased sales or the opening of new retail centers, should continue to be returned to the point of sale.)

Comment: The origin sourcing system - and the current excessive and unnecessary use of county and statewide pools for use tax allocation – encourages competitive arrangements that divert local sales tax revenue from the true “situs” location of economic activity and service impact. Destination sourcing rules reduce excessive and wasteful forms of competition.

2. The existing situs-based sales tax under the Bradley Burns 1% baseline should be preserved and protected. Restrictions should be implemented and enforced to prohibit the expansion of questionable businesses formed to circumvent the principle of situs-based sales and used to divert sales tax revenues from other regions in return for favorable treatment.

Comment: The origin sourcing system has enabled and encouraged “the expansion of questionable businesses formed to circumvent the principle of situs-based sales and used to divert sales tax revenues from other regions in return for favorable treatment.”

3. Cities and the League should continue to emphasize efficiency and effectiveness, encouraging and assisting cities to achieve the best possible use of city resources.

Comment: The origin sourcing system has enabled and encouraged the wasteful rebating of billions of local tax dollars, a counterproductive use of limited city resources.

4. Revenues should be logically linked to traditional and emerging responsibilities.

Comment: The origin sourcing system has enabled the diversion of local tax revenue away from many locations of service responsibility and cost impact.

5. To preserve local authority and accountability for cities, state policies must ... ensure the integrity of existing city revenue sources for all cities, including the city share and situs allocation, where applicable, of property tax, sales tax, vehicle license fees, etc.

Comment: The origin sourcing system - and the current excessive and unnecessary use of county and statewide pools for use tax allocation - divert local sales tax revenue from the true situs location of economic activity and service impact.

6. To preserve local authority and accountability for cities, state policies must ... offer incentives to reward cities achieving program goals rather than withhold or reduce revenues to accomplish targets.

Comment: The current origin sourcing system creates incentives that are counter-productive to achieving program goals for most cities and encourages many to withhold and reduce revenues (i.e. through rebates). The origin sourcing approach has caused a substantial reduction in revenues for most cities.

⁸ League of California Cities “Summary of Existing Policy and Guiding Principles” Revenue and Taxation section.

ATTACHMENT TWO: California's Special Allocations - Exceptions to the Rule

California state statutes and regulations provide for a number of exceptions to the basic sourcing rules for local taxes.

- **Retailer has more than one place of business.** If a retailer has more than one place of business in California, the sale occurs at the place of business where the principal negotiations are carried on.⁹
- **Retailers under Section 6015: salespersons, representatives, peddlers, canvassers, agents, etc.** The place of sale is the business location of the retailer where the principal negotiations are carried on, exclusive of any door-to-door solicitations of orders.¹⁰
- **Vending machine operators.** The place of sale is the place where the vending machine is located.¹¹
- **Auctioneers.** The place of sale by an auctioneer when the taxable sales are less than \$500,000 is the place where the auction is held and the local sales tax distributed through the countywide pool. If taxable sales are more than \$500,000 in aggregate, the local sales tax is allocated to the participating jurisdiction in which the sale takes place instead of the countywide pool.¹²
- **Out-of-state retailers who maintain a stock of tangible personal property in California.** The place of sale is the location of the property from which delivery or shipment is made.¹³
- **Construction contractors.** The jobsite is regarded as the place of business of a construction contractor or subcontractor and is the place of sale for “fixtures” and the place of use for “materials,” purchased, furnished and installed by the contractor or subcontractor.
 - If the contractor reports local tax of \$600 or less per year, the sale is sourced to the countywide pool.
 - If the contractor reports local tax of more than \$600 per year, the sale sourced to the countywide pool. However, over-the-counter sales are sourced to the specific jurisdiction of the jobsite instead of the countywide pool.
 - For contracts or subcontracts for \$5,000,000 or more, the contractor may elect to obtain a subpermit for the jobsite. Tax would then be sourced to the specific jurisdiction of the specific jobsite.¹⁴
- **Factory-built school buildings.** The place of sale or purchase of factory-built school buildings is the place of business of the retailer regardless of whether the sale includes installation or whether the building is placed upon a permanent foundation.¹⁵
- **Jet fuel.** In general, the sale of jet fuel is sourced to the point of delivery to the aircraft if the principal negotiations for the sale are conducted in this state and the retailer has more than one place of business in the state. If the retailer only has one place of business in the state, the sale is sourced to the retailer's business location.¹⁶ However, for “multi-jurisdictional airports,” where an airport that is owned or operated by a city, county, or city and county that imposes a local sales tax, and is different from the city, county, or city and county in which the airport is located, the 1.00% local tax derived from the sale of jet fuel at multi-jurisdictional airports, except for San Francisco International Airport and Ontario International Airport, half of the tax is reported to the jurisdiction which owns or operates the airport and half to the jurisdiction in which the airport is located. The 1.00% local tax from the retail sale of jet fuel

⁹ Rev & Tax Code Sections 7205(b)(1), 7263, Regulations 1802(a)(2), 1822(a)(2)

¹⁰ Regulation 1802(b)(3)

¹¹ Regulations 1802(b)(1), 1822(b)(1)

¹² Regulation 1802(b)(4)

¹³ Regulations 1802(b)(5), 1822(b)(5)

¹⁴ Regulation 1806(b), Audit Manual, Chapter 12, Construction Contractors, Section 1207.25

¹⁵ Regulations 1802(b)(6), 1806(b)

¹⁶ Rev & Tax Code Section 7205(b)(2), Regulation 1802(b)(7)

delivered to aircraft at Ontario International Airport is reported to the City of Ontario in the amount imposed by the city and to the County of San Bernardino in the amount imposed by the county.¹⁷

- **Use tax on transactions of \$500,000 or more.** A seller who is registered to collect use tax or a person who is required to report and pay use tax directly to the Board shall report the local use tax directly to the participating jurisdiction where the first functional use of the property is made instead of the countywide or statewide pools.¹⁸

- **Retail florists.** A retail florist is a person selling any flowers, potted ornamental plants, floral arrangements, floral bouquets, wreaths, or any similar products at retail, but does not include any flower or ornamental plant grower who sells his or her own products. Tax applies to amounts charged by the florist who makes the sale whether the delivery occurs in-state or out-of-state. Tax does not apply to amounts received by California florists who make deliveries in this state pursuant to instructions received from the in-state or out-of-state florist who made the sale.¹⁹

¹⁷ Rev & Tax Code Section 7204.03, Regulation 1802(b)(7)(C)

¹⁸ Regulation 1802(c)

¹⁹ Rev & Tax Code Section 6077, Regulation 1571