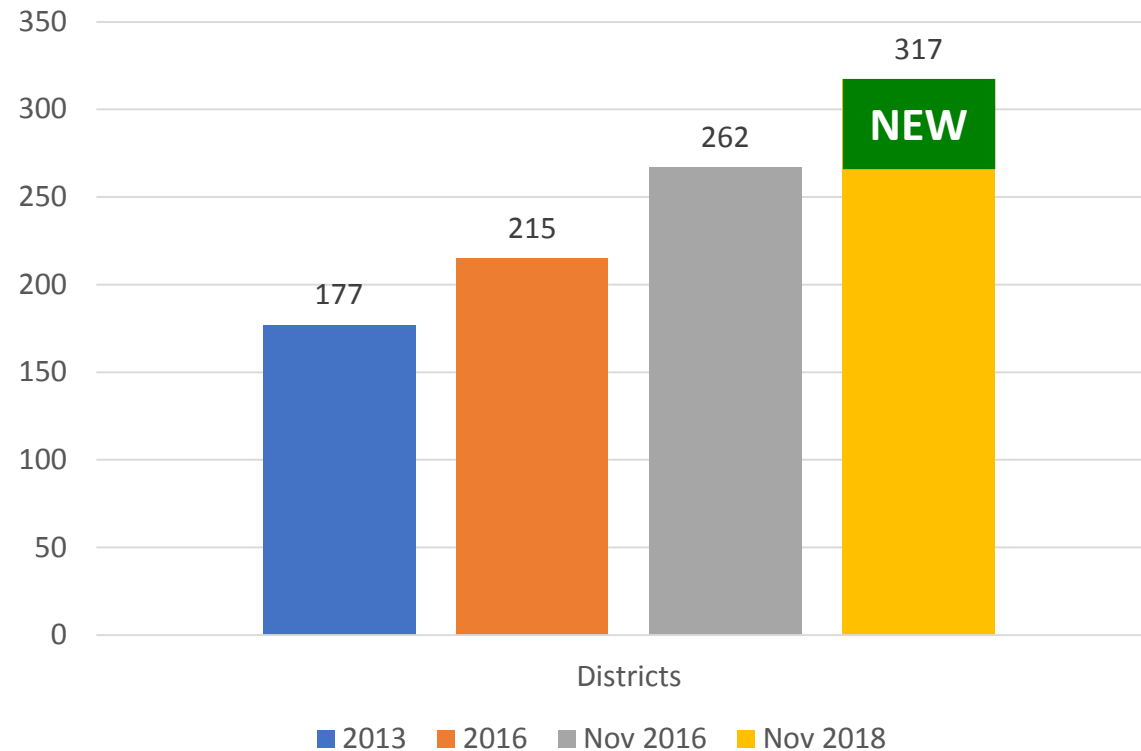




2019 CSMFO CONFERENCE

Transaction and Use Taxes – From Ballot to Coffers and Beyond

NUMBER OF TUT DISTRICTS ARE INCREASING



Approximately 95% of the state's population live in one or more transactions and use tax district

TRANSACTION AND USE TAX (TUT)

Transaction and Use Tax

District Tax

Add-on Tax



**Legislative authority to tax -
California Revenue and Taxation
Code Section 7251 – 7279.6**

7261(a) A provision imposing a tax for the privilege of selling tangible personal property at retail upon every retailer in the district at a rate of one-eighth of 1 percent, or a multiple thereof, of the gross receipts of the retailer from the sale of all tangible personal property sold by that person at retail in the district.

GENERAL VS SPECIFIC TAX - General

7285.9 - The governing body of any city may levy, increase, or extend a transactions and use tax for general purposes at a rate of 0.125 percent or a multiple thereof, if the ordinance proposing that tax is approved by a ***two-thirds vote of all members of that governing body*** and the tax is approved by a ***majority vote of the qualified voters*** of the city voting in an election on the issue.



GENERAL VS SPECIFIC TAX - Specific

7285.91 - ...for the purpose for which it is established,

The ordinance proposing that tax is approved by a ***two-thirds vote of all members of the governing body*** and is subsequently approved by a ***two-thirds vote of the qualified voters*** of the city voting in an election on the issue



TRANSACTION & USE TAXES INFO

- Additional Local Taxes – Rev & Tax Code 7280-7298
- Rev & Tax Code 7270 - Administration

The district is required to contract with the **CDTFA** (California Department of Taxes and Fees Administration) to perform all functions in the administration and operation of the ordinance imposing the tax.





FUNCTIONAL DIFFERENCES TO BRADLEY-BURNS ALL OTHER RETAILERS



**FUNCTIONAL
DIFFERENCES TO
BRADLEY-BURNS
VEHICLES,
VESSELS,
AIRCRAFT**

**BUYER PAYS TOTAL SALES TAX RATE
WHERE VEHICLE WILL BE REGISTERED**

Example:

1. Buyer lives in non-TUT city with total sales tax rate of 7.25%, purchases a vehicle from a car dealer in a city that has a total sales tax rate of 7.75%.

Buyer will pay 7.25% sales tax to car dealer. Local 1% Bradley-Burns tax will be allocated to city where car dealer is located. No additional local taxes will be allocated.

**FUNCTIONAL
DIFFERENCES TO
BRADLEY-BURNS**
*VEHICLES,
VESSELS,
AIRCRAFT*

**BUYER PAYS TOTAL SALES TAX RATE
WHERE VEHICLE WILL BE REGISTERED**

Example:

2. Buyer lives in a city with TUT - total sales tax rate of 7.75% (assume 0.5% TUT), purchases a vehicle from a car dealer in a city that has a total sales tax rate of 7.25%

Buyer will pay 7.75% sales tax to car dealer. Local 1% Bradley-Burns tax will be allocated to city where car dealer is located. 0.5% TUT will be remitted to City where Buyer lives.

FUNCTIONAL DIFFERENCES TO BRADLEY-BURNS

BUILDING SUPPLIES, EQUIPMENT AND BULK FUEL

DELIVERIES INTO CITY

TUT tax collected



CITY WITH TUT

DELIVERIES OUT OF CITY

TUT tax NOT collected



HdL 

TRANSACTION & USE TAXES INFO

- Many internet retailers collecting sales tax, will also collect and remit the TUT to agencies – think Amazon
- Mostly ‘Out-of-Towners’ pay the tax – isn’t always applicable



HOW DO “ADD ON” TAXES EFFECT BUYING?

- There is an impact, but too small to measure
- Consumers focus on base cost
- Hassle factor
- Alternative purchase options



WHO AND WHERE?

- 34 of 58 Counties
- 222 of 482 Cities
 - Northern - 103
 - Central - 54
 - Southern – 65
 - Coastal - 132
 - Central - 78
 - Mountains - 12

COUNTYWIDE
TRANSPORTATION
AUTHORITIES
HAVE ALSO LEVIED
TUTs

- ✓ 23 of 58 Counties
- ✓ Los Angeles Metro TA
- ✓ Orange County TA
- ✓ (Santa Clara)Valley TA & BART
- ✓ Alameda County TC & BART
- ✓ Sacramento TA

TRANSACTION & USE TAXES INFO

Rev & Tax Code 7251.1

The combined rate of all taxes imposed in accordance with this part in any county may not exceed 2 percent (above the base sales tax rate), except...



CITY OF PASADENA

LOS ANGELES COUNTY

Demographics:

- Population 144,388 (2018) – 40th Largest
- Per Capita Income \$44,403
- Per Household Income \$76,263





Sales Tax Breakdown:

- General Consumers 26%
- Restaurants 20
- Autos 19
- County Pool 13
- Business-Industry 7
- Food-Drugs 6
- Build-Construction 5
- Gas Stations 4

CITY OF STANTON

ORANGE COUNTY

Demographics:

- Population 39,470 (2018) – 209th Largest
- Per Capita Income \$20,603
- Per Household Income \$50,615

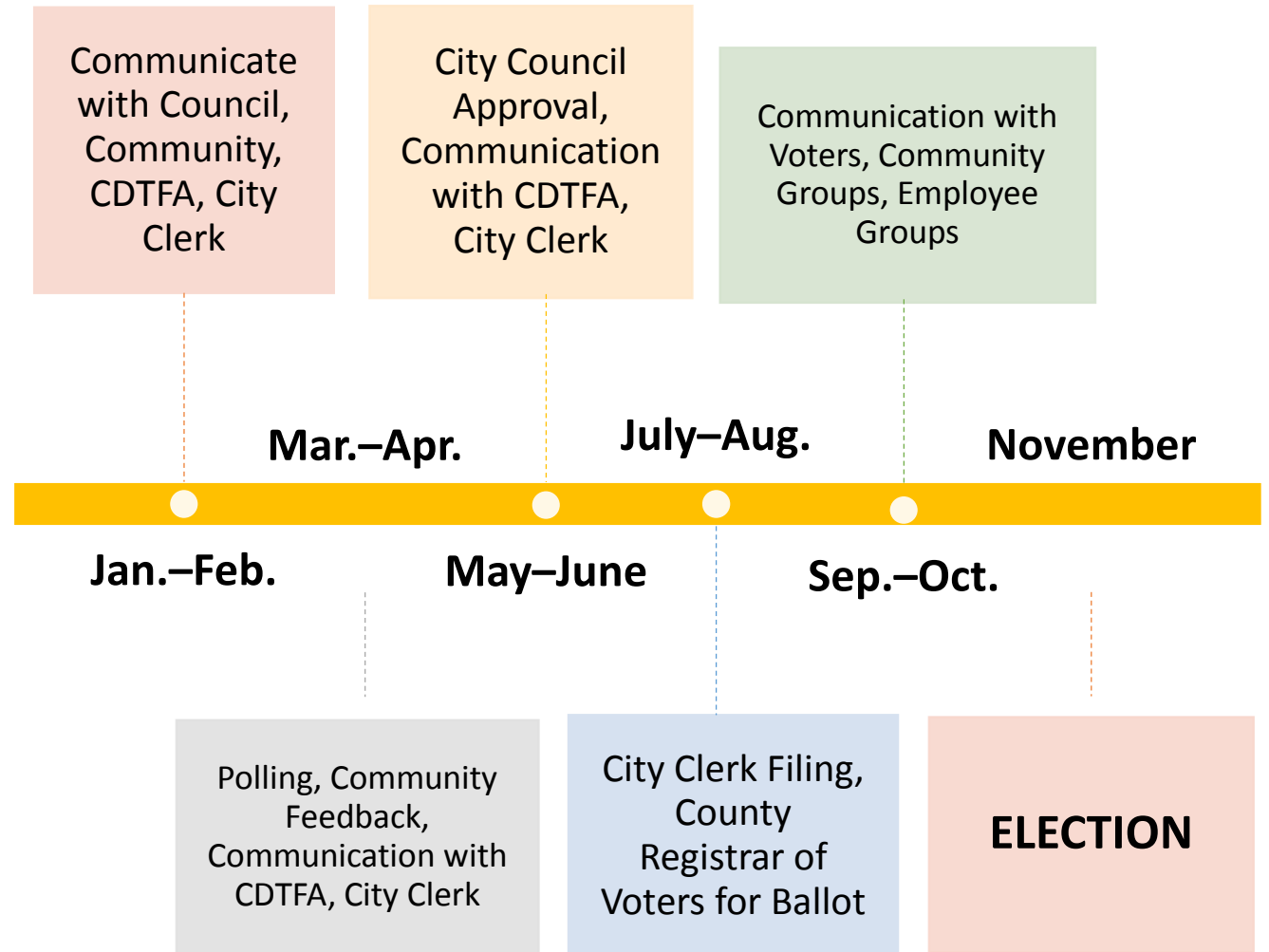




Sales Tax Breakdown:

- Build-Construction 18%
- Autos 16
- Gas Stations 15
- Restaurants 13
- County Pool 12
- Business-Industry 10
- General Consumers 8
- Food-Drugs 8

EXAMPLE CALENDAR OF EVENTS



SUCCESS !?!?!?

- Approved tax measure will go into effect the first calendar quarter 110 days after the adoption of the ordinance
 - November 2018 approval
 - April 1, 2019 effective date
 - First monthly advances begin June 2019 – first full year FY 19-20



ADDITIONAL RESOURCES

- Donna Puchalski, CDTFA (916) 324-1371
- BOE Publication 44

The Lew Edwards Group
Cerrell Associates Inc
FM 3

TBWB Strategies
Clifford Moss



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Thank you!

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