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- Impacts on individual agencies of a change in sourcing rules. This would likely be accomplished by developing a model to examine 100% destination sourcing with a report to the Legislature early in 2020.
- The model should attempt to distinguish between business-to-consumer transactions versus business-to-business transactions.
- The model should analyze the current number and financial effects of city and county sales tax rebate agreements with online retailers and how destination sourcing might affect revenues under these agreements.

### **Step Two:**

Conditions for considering a Constitutional Amendment that moves toward destination allocation: Absent better data on the impacts on individual agencies associated with a shift to destination allocation of sales taxes from CDTFA, the Group declined to prescribe if/how a transition to destination would be accomplished; the sentiment was the issue should be revisited once better data was available. In anticipation that the data would reveal significant negative impacts on some agencies, the group desired that any such shift should be accompanied by legislation broadening of the base of sales taxes, including as supported by existing Cal Cities policy including:

- Broadening the tax base on goods, which includes reviewing existing exemptions on certain goods and expanding to digital forms of goods that are otherwise taxed; and
- Expanding the sales tax base to services, such as those commonly taxed in other states.

### **2021 Annual Conference Resolution**

Following multiple unsuccessful attempts towards progress on the prior adopted recommendations, it was clear that additional stakeholder engagement and study is needed to make meaningful, collective advancement on modernized sales tax policy. During the 2021 Cal Cities Annual Conference, a proposed resolution by the City of Rancho Cucamonga, called on the Legislature to work with Cal Cities to pass legislation, that has first been developed and vetted by city officials and put forward by the Cal Cities Board of Directors, that provides for a fair and equitable distribution of the Bradley Burns one percent local sales tax from in-state online purchases, based on data where products are shipped to, and that takes into consideration the impacts that warehouses and fulfillment centers have on host cities but also provides a fair share to

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<sup>3</sup> While all members of the group wanted to avoid undue harm to specific agencies, some were also concerned that some prior phase-in proposals were not aggressive enough and the changing economy required faster transition. The group also discussed allowing those under existing rebate agreements to “opt out” and remain on full origin sourcing rules until when they expired or by a fixed date at the end of a phase-in period.



