



REVENUE AND TAXATION POLICY COMMITTEE
Thursday, January 22, 2026
10:00 a.m. - 2:00 p.m.
Hyatt Regency Hotel

- I. Welcome, Opening Remarks, and Introductions**
Speakers: Chair, Joe Vinatieri, Mayor, Whittier
Vice-Chair, Cindy Silva, Councilmember, Walnut Creek
- II. Public Comment**
- III. Committee Orientation & Overview of Parliamentary Procedure** Informational
- IV. Cal Cities 2026 Advocacy Priorities** Informational
- V. Adoption of 2026 Policy Committee Work Plan** Action
- VI. Amendments to Existing Policy and Guiding Principles (Attachment A)** Action
- VII. Sales Tax Allocation Fundamentals** Informational
Speaker: Ken Nordhoff, Principal, HdL Companies
- VIII. 2026 Economic Forecast and Trends** Informational
Speaker: Thomas Adams, Dir. of Sales and Use Tax Audits, Neumo
- IX. City Manager Sales Tax Working Group's Proposed Changes** Action
Speaker: Thaddeus McCormack, City Manager, Lakewood (Attachment B, C, D, E)
- X. Legislative and Budget Update and Roundtable** Informational
Speaker: Ben Triffo, Legislative Representative, Cal Cities
- XI. Howard Jarvis Taxpayers Association Measure** Informational
Speaker: Ben Triffo, Legislative Representative, Cal Cities
- XII. Adjourn**

Next Meeting: Thursday, March 26, Hilton Orange County/Costa Mesa, 10:00am – 2:00pm

Brown Act Reminder: The League of California Cities' Board of Directors has a policy of complying with the spirit of open meeting laws. Generally, off-agenda items may be taken up only if:

- 1) Two-thirds of the policy committee members find a need for immediate action exists and the need to take action came to the attention of the policy committee after the agenda was prepared (Note: If fewer than two-thirds of policy committee members are present, taking up an off-agenda item requires a unanimous vote); or*
 - 2) A majority of the policy committee finds an emergency (for example: work stoppage or disaster) exists.*
- A majority of a city council may not, consistent with the Brown Act, discuss specific substantive issues among themselves at League meetings. Any such discussion is subject to the Brown Act and must occur in a meeting that complies with its requirements.*

Revenue and Taxation

Scope of Responsibility

The Committee on Revenue and Taxation reviews issues related to finance administration, taxation reform, revenue needs, and revenue sources at the federal, state, and local levels.

Summary of Existing Policy and Guiding Principles

Cities and Cal Cities

Preamble

Inherent in these recommendations is the underlying principle that meaningful fiscal reform should allow each level of government to adequately finance its service responsibilities, with each being accountable to taxpayers for its own programs.

Efficiency

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

Authority and Accountability

Cities must locally achieve political authority and accountability for revenues raised and services provided. For accountability, revenues should be logically linked to traditional and emerging responsibilities. Cities must effectively communicate the good news about city programs and operations, as well as information concerning financial conditions and city responsibilities.

Alliances

Cities should seek alliances with counties, schools, other cities, employee organizations, other local agencies, business, and professional organizations, and nonprofit organizations to support cooperation, sound financial policies, and joint action.

Initiative

Cities and Cal Cities are prepared to use the statewide initiative process, if necessary, to secure fiscal independence and a sound intergovernmental financial structure. Initiative efforts should, to the extent feasible, incorporate and, in no case violate, the principles developed by the Fiscal Reform Task Force as follows:

- Cities require a greater share of the property tax and other reliable, discretionary revenues in order to finance local services to property.
- Cities require constitutional protection of their revenue sources in order to provide insurance against diversion by the state of these revenues in the future for non-municipal purposes.
- Major reforms in the unfunded mandate reimbursement process should be enacted to make it more workable and meaningful.

Legislature or the Voters

Local Authority and Accountability

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.
- Ensure the integrity of city revenue sources by providing fraud deterrence and enforcement tools that improve the collection of public funds.
- Protect the authority of local governments to collect revenues from telecommunications providers and ensure that any future changes are revenue neutral for local governments.
- Oppose any state or federal legislation that would pre-empt or threaten local taxation authority including, but not limited to, Utility User's Taxes.
- Allow every level of government to enjoy budgetary independence from programs and costs imposed by other levels of government.
- Authorize a simple majority of the voters in a city or county to establish local priorities, including the right to increase taxes or issue general obligation bonds.
- Offer incentives to reward cities achieving program goals, rather than withhold or reduce revenues to accomplish targets.

State Legislative and Budget Reforms.

To stabilize state funding and programs and reverse the trend of the state's reliance on local revenues to solve the state's fiscal crises, the state should implement fiscal and legislative reforms which may include for consideration the following:

- A two-year spending plan with the first session focused on expenditures over the period.
- Oversight hearings that review programs for savings, duplication, or gaps in services.
- Limits on the number of bills that legislators may introduce.
- A prudent reserve fund.
- Official records kept of all Assembly and Senate official meetings.
- A balanced deficit reduction approach, which could include temporary revenue increases dedicated solely to retiring short-term debt, spending cuts, short-term borrowing and multi-year spending limitations.
- Long-term restructuring measures, including increased local government property tax shares to create balanced growth and separate budget detail of all state expenditures at the local level.

State Mandates

The state must provide full and prompt reimbursement to all local agencies for all state-mandated programs and/or infractions and losses associated with local revenue shifts.

Local agencies must be authorized to petition the Commission on State Mandates immediately after legislation is chaptered for determination of eligibility for reimbursement

and reserve the right to directly pursue court intervention without an administrative appeals process.

Reforms are needed in the mandate approval and reimbursement process.

The state should be prohibited from deferring mandate payments.

Unless specifically requested by a city, no new duties, responsibilities, or obligations should be assigned to a city or cities under state realignment.

Additional Revenue

Additional revenue is required in the state/local revenue structure. There is not enough money generated by the current system or allocated to the local level by the current system to meet the requirements of a growing population and deteriorating services and facilities.

When disasters or emergencies occur statewide or in various areas of the state, state government has traditionally stepped in to assist with recovery efforts through various means, including the passage of legislation to provide income and property tax relief to affected individuals and businesses, and reimbursing local governments for their losses. Cal Cities supports disaster recovery legislation that includes mitigation for losses experienced by local governments. Cal Cities supports this aid being allocated to cities through a process that objectively accounts for the impacts that a disaster or emergency has had on a city's residents, infrastructure, economy, and revenues. In the event that aid is provided solely on a per-capita basis, Cal Cities support that it be done equally per resident.

Cal Cities also supports establishing a federal debt guarantee program that supports state catastrophe insurance programs for post-event debt that they incur as a result of paying for insured losses caused by major natural catastrophes.

Cal Cities supports legislation that would make adjustments to the vehicle license fee-property tax swap of 2004 to ensure that the formula appropriately accounts for city incorporations and annexations of inhabited territory.

Cal Cities supports legislation that would bolster existing local efforts to enforce local ordinances and revenue collection associated with short-term rentals. Legislation must protect local transient occupancy tax collection authority, tax rates, and enforcement authority associated with short-term rentals.

Reduce Competition

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.)

The existing situs-based sales tax under the Bradley Burns 1% baseline should be preserved and protected.

The equitable allocation of remote revenues from e-commerce recognizes both sides of the transaction and their contribution to sales tax generation. Allocation of the Bradley Burns 1% local sales tax revenue from in-state online purchases should proportionately benefit those communities that provide the infrastructure and incentives that facilitate the transaction and delivery of those goods and those communities that are the destinations for the goods. The regional impacts to infrastructure, land use, environmental quality, and public health stemming from e-commerce as well as the financial dependence of communities on the resulting revenues must be recognized. Changes to consumer behavior, which consists of more online shopping, must also be considered as to the fiscal sustainability of all cities.

City officials should account for these factors in the evolving marketplace and continuously strive for prospective fair and equitable revenue sharing based on data, as available. City officials should also employ their best judgement to support policies that benefit the sustainability of all cities.

Restrictions should be implemented and enforced to prohibit the enactment of agreements designed to circumvent the principle of situs-based sales and redirect or divert sales tax revenues from other communities when the physical location of the affected businesses does not change.

Sales tax rebate agreements involving online retailers can be inappropriate because they may have the effect of encouraging revenue to be shifted away from numerous communities and concentrated to the benefit of one.

Prospectively, sales tax rebate agreements shall be no longer than 20 years, and shall not rebate more than 50% of the sales tax generated by the private business. Existing sales tax rebate agreements shall not have the ability to be renewed in perpetuity (i.e., term extensions that would be a loophole to avoid new requirements are prohibited). Additionally, the California Department of Tax and Fee Administration shall exclude from the county pool calculations of the local Bradley Burns 1% sales and use tax the sales tax gained from a sales tax sharing agreement that is rebated to a private business.

There shall be a statewide database and dashboard of all Economic Development Subsidy Reports (such as sales tax rebate agreements) on a website.

Funding for Counties

Counties require additional funding if they are to fulfill their state-mandated and traditional roles.

As legal agents of the state, county expenditures in that capacity should be funded by the state. Their local programs should be financed locally.

The concept of "self-help" for counties should be expanded. An example might be that counties could receive certain state funding if they raise a specified level of revenue locally.

To alleviate competition among cities and counties, funding for counties should be accompanied by agreements on new development in undeveloped areas within the cities' sphere of influence.

Regional Revenues

Local government issues, programs, and services do not always recognize local government jurisdictional boundaries. In cases where regional issues, programs, and services are identified, multi-jurisdictional revenues should then be identified and implemented. As an example, the sales tax has been considered and used by many countywide areas to address multi-jurisdictional transportation issues.

Support regional cooperation on common interests and goals by providing access to share incremental growth in ERAF property tax.

Local Financing and Tax Increment Tools

Tax Increment Tools

Cal Cities supports the enactment and expansion of tax increment financing authority for economic development, infrastructure, and community revitalization, including recently enacted Enhanced Infrastructure Financing District Law (EIFD), Community Revitalization and Investment Authorities (CRIA), and Annexation Development Plans.

Cal Cities supports the enactment and expansion of state tax incentives that assist city economic development and community revitalization efforts.

Revenue Modernization

Property Tax

Cal Cities supports legislation which would clarify and improve the definition of "change of ownership" for property tax reassessment purposes to include when more than 90% of direct or indirect ownership interests in a legal entity are cumulatively transferred in one or more transactions. Such changes would reduce the use of complicated strategies employed to evade reassessment of property upon changes of ownership.

Sales Tax

- Sales and Use Tax Base: Cal Cities supports modernization to the sales tax through measures that would either broaden 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. Specific proposals in these areas should be carefully reviewed so that the impacts of any changes are fully understood.

- Sales Tax Sourcing Rules: Support as Cal Cities policy that point of sale (situs) is where the customer receives the product. Specific proposals in this area should be carefully reviewed so that the impacts of any changes are fully understood.

Cal Cities supports as policy allowing more direct reporting of use taxes related to construction projects to the jurisdiction where the construction activity is located by reducing existing regulatory threshold from \$5 million to \$1,000,000. Additionally, contractors should be required, rather than optionally permitted, to submit appropriate documentation for direct allocation of sales and use tax revenue to the location of the construction jobsite.

Cal Cities supports as policy requiring retailers to report the local use tax for transactions of \$100,000 or more to the participating jurisdiction where the first functional use is made.

- County Pool Use Tax Allocations: Support Cal Cities working with the state California Department of Tax and Fee Administration to update the county pool allocation process to ensure that more revenues are allocated to the jurisdiction where the purchase or first use of a product occurs (usually where the product is delivered). Use Tax collections from online sales, including from the *South Dakota v Wayfair* Decision, should be shifted out of county pools, and allocated to the destination jurisdiction whose Bradley Burns tax applies and not throughout the entire county.
- State Sales Tax Exemptions: Cal Cities opposes state legislation that proposes to grant exemptions for specific products that fail to protect those portions of the sales tax that are dedicated to local government.
- Data Collection: Cal Cities supports efforts to modernize statewide sales tax data collection to improve understanding of out-of-state and in-state remote sales.

Federal Streamlined Sales and Use Tax Agreement (SSUTA)

There are more questions than answers for California cities about potential state participation in the SSUTA. The SSUTA offers many more risks for California cities than benefits. Thus, Cal Cities should:

- Continue to monitor developments of the SSUTA and related federal legislations, but not support any additional efforts that would lead to California joining the agreement. This position can always be revisited at a future point if events change.
- Strongly oppose any federal effort that attempts to force California to conform to the Agreement, or amendments to federal legislation that would directly undermine California's utility user tax structure.
- Work with the California Department of Tax and Fee Administration and other parties on alternative efforts to increase the collection of use taxes within California. Share Cal Cities analysis of the SSUTA with interested parties, exchange information on use tax collection issues with municipal Leagues in other states, including those states with tax structures similar to California.

Federal Legislation Requiring Use Tax Collection

Cal Cities supports federal legislation that would require the collection of use tax from internet or "remote sales" that meets the following conditions:

- Is limited to the collection of sales and use taxes.
- Does not require states to participate in the SSUTA.
- Requires remote sellers to collect the full destination rate (combination of state and local rate at location the product will be delivered).
- Exempts intrastate (non-remote sales within California) from the destination rule.
- Provides sufficient flexibility to accommodate California's tax structure. (There are instances where the state, for policy reasons, has opted not to collect the state's share of sales taxes on an item, but the local rates on those items are still collected).

State regulatory actions and possible legislation may be needed to address issues raised by the collection of new revenue from remote sales. Implementation by the California Department of Tax and Fee Administration would likely require appropriate software for remote sellers to implement the new system.

Note: Cal Cities will review new legislation to determine how it relates to existing Cal Cities policies and guiding principles. In addition, because this document is updated every two years to include policies and guiding principles adopted by Cal Cities during the previous two years, there may be new, evolving policies under consideration or adopted by Cal Cities that are not reflected in the current version of this document. However, all policies adopted by Cal Cities Board of Directors or Cal Cities General Assembly become Cal Cities policy and are binding on Cal Cities, regardless of when they are adopted and whether they appear in the current version of "Summary of Existing Policies and Guiding Principles."

**Revenue and Taxation Policy Committee
Legislative Agenda
January 2026**

Staff: Ben Triffo, Legislative Representative
Leila Romero, Policy & Legislative Affairs Analyst

1. The City Managers Sales Tax Working Group’s proposed changes to the allocation of Bradley-Burns sales and use tax revenues generated from e-commerce transactions.

Overview:

The City Managers Sales Tax Working Group (working group) has completed its work and reached a consensus on a policy recommendation regarding the allocation of Bradley-Burns sales and use tax revenues generated from e-commerce transactions.

Working Group Overview

The working group, over the course of three years and over 20 meetings, convened a diverse, dedicated, representative, and knowledgeable group of city officials to provide recommendations that equitably benefit cities across the state, further fiscal sustainability, and strengthen the viability of the sales tax. The working group reviewed evolving trends, explored policy implications, and identified data to support Bradley-Burns sales tax reform discussions.

The group also explored existing laws, regulations, and practices regarding tax sourcing rules, including state and national trends. Part of this work included the establishment of a sub-group to explore sales tax allocation models applied by other states, such as Texas’ allocation by industry or Illinois’ allocation via an “ABC” test.

One of the first items established and recommended by the working group was the adoption of a guiding definition of equitable e-commerce sales tax distribution. This definition contextualized equity within the evolving landscape of consumer preferences, technological advances, and the needs of cities. The Cal Cities Board of Directors approved this definition as policy, which served as the lens by which the working group explored whether the existing sales and use tax system equitably distributes revenues and whether changes to the distribution are needed.

The working group also gave significant attention to sales tax rebate agreements and issues within the county pool allocation policy. This resulted in a suite of policy recommendations, approved by the Cal Cities Board of Directors, focused on how to preserve sales tax sharing agreements as an economic incentive tool while establishing parameters that reduce competition between cities and creating a fairer environment.

Of note, a prior iteration of the working group was formed in 2018, which studied the same issues (for more than six months) as the current working group, however, they

were unable to come to a consensus on Bradley-Burns reform and instead focused on sales tax sharing agreements. Some members from this prior working group also served on the current working group.

Summary of Recommendations:

Guiding Definitions

To ensure there was a common understanding of the scope of the recommendations, the working group defined three key terms that would be used throughout their deliberations.

E-Commerce:

- An internet transaction, or other similar digital-electronic media, processed digitally and delivered to a consumer from a warehouse or fulfillment location.
- An internet transaction, or other similar digital-electronic media, processed digitally and delivered to a consumer from a warehouse or fulfillment location.

Consumer:

- A person or a group who intends to purchase goods or products primarily for personal, social, family, household, and similar needs, who is not directly related to entrepreneurial or business activities.

Warehouse/Fulfillment Location:

- The location where a product or good is stored before it begins shipment to a consumer after an order is placed and is not a consumer-facing retail location.
- Does not include business-to-business transactions.

Equitable Split

Consensus was formed around a proposal that would split the Bradley-Burns sales and use tax from e-commerce transactions equitably between origin/fulfillment and destination cities, with each city receiving 50% of the revenues. The group also recommended that there potentially be a plus or minus 10% for either city to allow for flexibility when negotiating with the Legislature. This split should be prospective, with revenues generated under existing sales tax sharing agreements not being subject to the proposed split. Additionally, there should be a phase-in of five years once the California Department of Tax and Fee Administration (CDTFA) is able to implement these changes. Finally, use tax dollars in the county pools generated from out-of-state fulfillment should be allocated directly to the destination city.

CDTFA Feedback

CDTFA has informed Cal Cities staff that portions of the working group's recommendations will be difficult, if not impossible to implement. Specifically, not subjecting revenues generated under existing sales tax sharing agreements to the proposed 50/50 split. The primary concern comes from the fact that sales tax sharing agreement reporting data occurs in arrears (i.e. 2024 data is reported in 2025). This would be inconsistent with the payments and distributions made to local agencies and would potentially lead to numerous misallocations. Additionally, this information is self-reported by local agencies, not the retailers.

Another item identified as problematic by CDTFA was that currently retailers do not distinguish between e-commerce and brick and mortar sales in their tax reporting. This lack of data would make it difficult and possibly impossible for CDTFA to know what tax revenues should be split and sent to various jurisdictions. At a minimum, there is a reporting gap that would need to be addressed between retailers and CDTFA/other appropriate agencies.

Looking Forward

If approved, the working group's policy recommendations would replace the previously adopted equity statement in Cal Cities Existing Policy and Guiding Principles.

If these recommendations were to be approved as policy and a change of law were to be perused, a constitutional amendment would be required. This is because Section 25.5 of Article XIII of the California Constitution prohibits the Legislature from enacting a statute that would alter the method of distributing revenues derived under the Bradley-Burns Uniform Local Sales and Use Tax Law, as it read on November 3, 2004.

Background

The Allocation of the Bradley-Burns

California law requires most businesses that sell physical goods in the state to register with CDTFA. These businesses must charge sales tax on retail purchases and send the tax they collect to CDTFA. Sales tax generally applies to purchases made by the end user, not to items bought for resale. The statewide base sales tax rate is 7.25%.

Cities and counties are also allowed to add local sales taxes. These local taxes are called district or transactions and use taxes and are added on top of the statewide rate.

If a retailer does not charge sales tax at the time of purchase, the buyer is still responsible for paying the tax. In that case, the tax is called a "use tax". Use tax applies when someone buys, uses, or stores taxable goods in California and is charged at the same rate as sales tax. Both sales and use taxes are paid to CDTFA, which sends the state share to the state's General Fund and distributes the local share to the appropriate city, or county.

In recent years, many purchases have shifted from brick and mortar to online/e-commerce sales. Because of this shift, it can be sometimes difficult to determine where the sale occurs.

Where a sale is considered to have taken place matters because it determines which cities or counties receive the local share of the tax. This has become more complicated as retailers and online marketplaces use different business models. In general, sales tax applies if the retailer has a location in California that is involved in the sale and the sale is considered to occur in California—meaning ownership of the item transfers to the buyer in the state. A retailer's location can include an office, showroom, warehouse, or storage facility. If one or neither of these conditions are met, use tax applies instead.

Under CDTFA rules, sales tax applies when a buyer sends an order to a retailer's California office, store, or other in-state location. Sales tax also applies when an order is sent to an out-of-state location, but the item is shipped from inventory located in California.

Use tax applies when a buyer places an order directly with a retailer located outside California and the item is shipped from outside the state directly to the buyer in California. For example, use tax would apply if someone purchased home gym equipment online from a company based in Ohio and the item is shipped directly to California.

The Bradley-Burns Uniform Sales and Use Tax Act allows cities and counties to charge a local sales and use tax on the same types of goods that are subject to the state sales tax. This local tax is set at 1.25 percent of the sales price of taxable goods sold within a city or county or purchased elsewhere for use within that jurisdiction. Of that amount, 1% is for unrestricted general fund use, and the remaining 0.25 percent is dedicated to county transportation programs. All cities and counties in California currently impose the Bradley-Burns tax.

Bradley-Burns sales tax revenue is assigned to the "place of sale," which is usually the retailer's place of business. CDTFA regulations explain how to determine the correct place of sale so local tax revenue is distributed to the appropriate jurisdiction.

- If a retailer has only one location in California, that location is generally treated as the place of sale for all transactions in which it is involved. This is true even if the item is delivered outside the city or county where the retailer is located, or if the item never physically enters that jurisdiction.
- If a retailer has more than one location in California, CDTFA usually assigns the place of sale based on where the main part of the transaction occurred, such as where the order was taken. Even if the order is later sent to another location for fulfillment or delivery, the location that took the order is treated as the place of sale.
- If a retailer does not have a store or office in California but keeps inventory in the state and ships items from that inventory, CDTFA treats the place of sale as the location from which the item is shipped.
- CDTFA regulations state that a sale is subject to sales tax if a California location of the retailer participates in the transaction in any meaningful way. For a location to be considered involved, its actions must actually matter to the sale and play a real role in completing it. This generally means some genuine physical human interaction at that location in the sales process.

Activities that happen after a sale is already completed usually do not count as participating in the sale. In addition, some work that a retailer may do from a California location to support its overall business (e.g. setting prices, designing or maintaining a website, and marketing activities) does not count as participation in a specific sale.

Given that most online purchases are designed to be completed automatically through a website, there is often little or no human involvement until the order is picked, packed, and shipped. Because of this, the warehouse or storage facility where the item is prepared for shipment is often the only business location that actually participates in an online sale.

Bradley-Burns use tax allocation is handled differently. CDTFA generally deposits the use tax revenue into a countywide pool based on the buyer's shipping address and then distributes those funds among cities and the county based on their share of directly allocated sales. By contrast, locally approved transactions and use taxes are distributed solely based on the purchaser's location, regardless of where the retailer is located. These locally approved transactions and use taxes are applied to all e-commerce transactions and are allocated to the city where the product is being shipped to, not where CDTFA determines the sale occurred.

Education and Outreach on the Recommendations

Following completion of the working group's work, members recognized that up until that point, work had been confined to a sub-set of city managers. To that end, it was noted that there would need to be a concentrated education and outreach campaign that socializes the recommendations to the broader Cal Cities membership.

City Manager Department President (at the time), Thaddeus McCormick, along with other members of the working group went out and met with City Manager Area Groups around the state (over 25 presentations), providing an overview of the working group, the years long efforts to build consensus, and the final recommendations. They also used these presentations as an opportunity to solicit feedback from cities that would be impacted both positively and negatively from the proposed recommendations. This feedback will be shared at the January Revenue and Taxation Policy Committee meeting.

How to Qualify a Constitutional Amendment for the Ballot

There are two ways for a statewide measure to qualify for the ballot to amend the California Constitution. The first is if the Legislature adopts a Senate or Assembly Constitutional Amendment via a two-thirds vote of both houses.

The second way is to collect signatures via the initiative process (i.e., initiative constitutional amendment). The number of valid signatures gathered must be equal to at least one eighth percent of the total votes cast for Governor during the last gubernatorial election.

Regardless of the route pursued, voters must approve any proposed constitutional amendment.

Existing Law

[AB 562](#) (Chapter 740, Statutes of 2013) requires local agencies, beginning January 2014, to provide specified information to the public before approving any economic development subsidy of \$100,000 or more. The information is to be made publicly

available on the local agency's website in the form of an Economic Development Subsidy Report.

[AB 485](#) (Chapter 803, Statutes of 2019) expands the provisions of AB 562 specifically to warehouse distribution centers and require local governments to hold hearings and report on those subsidies. AB 485 requires local agencies to submit a report to the Governor's Office of Business and Economic Development providing specified information and would require the office to make those reports available to the public through its internet website. AB 485 also prohibits a local agency from signing a nondisclosure agreement regarding a warehouse distribution center as part of negotiations or in the contract for any economic development subsidy.

[AB 2854](#) (Chapter 842, Statutes of 2024) requires cities and counties to annually provide specified information to CDTFA on any sales tax sharing agreement that results in the direct or indirect payment, transfer, diversion, or rebate of Bradley-Burns sales and use tax revenues. The city or county must also post this information on their internet website.

Fiscal Impact

At the request of the working group, CDTFA modeled the potential impacts of a 50/50 split of local sales tax revenues from e-commerce transactions, using procured credit card transaction data. The dataset captured approximately 61% of online sales from California's 200 largest online retailers and used ZIP codes as geographic boundaries. CDTFA notes that they do not have complete place-of-use data but can estimate reallocations using third-party data.

Of the 482 cities studies:

- 255 are projected to gain revenue
 - 185 gain less than 10%
 - 59 gain 10-25%
 - 11 gain more than 25%
- 105 are projected to lose revenue
 - 78 lose less than 10%
 - 18 lose 10-25%
 - 9 lose more than 25%
- 122 lack sufficient data, likely neutral to minimal change.

Support (letters received)

- Rancho Cucamonga
- Thousand Oaks
- Upland

Opposition (letters received)

- Beaumont
- Carson
- Eastvale
- Fresno
- Lathrop
- Moreno Valley

- Ontario
- Perris
- Tracy

Existing Cal Cities Policy

From the [Cal Cities Summary of Existing Policy and Guiding Principles](#)

Reduce Competition

The equitable allocation of remote revenues from e-commerce recognizes both sides of the transaction and their contribution to sales tax generation. Allocation of the Bradley-Burns 1% local sales tax revenue from in-state online purchases should proportionately benefit those communities that provide the infrastructure and incentives that facilitate the transaction and delivery of those goods and those communities that are the destinations for the goods. The regional impacts to infrastructure, land use, environmental quality, and public health stemming from e-commerce as well as the financial dependence of communities on the resulting revenues must be recognized. Changes to consumer behavior, which consists of more online shopping, must also be considered as to the fiscal sustainability of all cities.

City officials should account for these factors in the evolving marketplace and continuously strive for prospective fair and equitable revenue sharing based on data, as available. City officials should also employ their best judgement to support policies that benefit the sustainability of all cities.

Recommendation from the City Managers Sales Tax Working Group

Equitable Split of the Bradley-Burns sales and use tax generated from e-commerce transactions:

- A 50/50 split of the Bradley-Burns sales and use tax revenues generated from e-commerce transactions between warehouse/fulfillment city and destination city.
- A plus or minus of 10% to allow for flexibility.
- Prospective, revenues from existing sales tax sharing agreements not subject to split.
- Five-year phase-in, post CDTFA implementation.
- County pool use tax dollars from out-of-state e-commerce transactions redirected to destination city.

Staff Recommendation:

None

Committee Recommendation:

Estimating Local Tax Allocations for Online Sales 50% Based on Place of Use

Reid Johnsen
CDTFA GIS and Data Services
5/7/2024

Executive Summary

- **Purpose:** Analyze impact of performing allocations for online sales based on 50% place-of-use (usually customer location) and 50% place-of-origin, using 3rd party credit/debit card data.
- **Premise:** Some online sellers allocate local tax to the locations of their warehouses or distribution centers. If 50% of local tax were instead allocated to the location of the purchaser, this tax revenue would be more widely distributed across the state.
- **Issue:** CDTFA staff does not have complete place-of-use data but can estimate reallocations using third party credit and debit card data.
- **Result:** Of 482 cities studied, 255 are projected to gain revenue, 105 are projected to lose revenue, and 123 lack sufficient data for a projection.

Current allocation method

- Sales tax transactions are generally allocated to the jurisdiction where the place of sale is located (usually a permitted place of business of the retailer).
 - Sales tax transactions require two elements: 1) participation by a California place of business of the retailer, **and** 2) sale occurs in CA. [CDTFA form 401 Schedule C](#)
- Use tax transactions are generally allocated to the countywide pool based on the place of use (presumably where the goods are delivered).
 - When **either** of the above conditions for a sales tax transaction are not met, the default is a use tax transaction. [CDTFA form 401 Schedule B](#)

Local tax (1%) allocation current method

		CDTFA Tax Return Data		
		City Local Tax Allocation (1%)	Pool Local Tax Allocation	Total Local Tax Allocation
City A	County Y	\$ 1,000,000	\$ 25,000	\$ 1,025,000
City B	County Y	\$ 3,000,000	\$ 75,000	\$ 3,075,000

Local tax (1%) allocation current method

		CDTFA Tax Return Data		
		City Local Tax Allocation (1%)	Pool Local Tax Allocation	Total Local Tax Allocation
City A	County Y	\$ 1,000,000	\$ 25,000	\$ 1,025,000
City B	County Y	\$ 3,000,000	\$ 75,000	\$ 3,075,000

Schedule C		Schedule B		
City Taxable Sales	County Taxable Sales	Pool Taxable Sales	Pool Allocation %	Pool Allocation (1%)
\$ 100,000,000	\$ 400,000,000	\$ 10,000,000	25%	\$ 25,000
\$ 300,000,000	\$ 400,000,000	\$ 10,000,000	75%	\$ 75,000

Alternative allocation method

- In this study, 50% of local sales tax for online sales is allocated to the location of the customer's credit/debit card statement. Local sales tax from in-store transactions remain allocated to the location of the business.
- Online sales are defined as any sale processed by a credit/debit card terminal that is designated as "online" by a payment processor. These sales may include online purchases that are picked up in-store.

Estimating online sales tax allocations

- Using 3rd party credit/debit card transaction data, we can estimate the value of online purchases by residents of each city.
- We matched 3rd party data to CDTFA sales and use tax accounts for about 200 large retailers. These retailers comprised roughly 61% of CA online sales in 2021.
- 3rd party in-store sales are attributed to the location of the store, and online sales are attributed to the location of the customer's credit card statement.
- For those retailers, we recalculated city-level sales and countywide pools using 3rd party estimates of online and in-store sales in place of CDTFA return data.

Online sales estimation example

		City Local Tax Allocation 1% (CDTFA)	City Local Tax Allocation Without 50% of Online by 200 Retailers (CDTFA)	City Local Tax Allocation with 50% of Online by 200 Retailers (CDTFA + 3rd party)	New Pool Allocation	New Total Local Tax Allocation to City	Previous Total Local Tax Allocation to City	Percentage Change
City A	County Y	\$1,000,000	\$800,000	\$1,100,000				
City B	County Y	\$3,000,000	\$2,000,000	\$2,500,000				

Online sales estimation example

		City Local Tax Allocation 1% (CDTFA)	City Local Tax Allocation Without 50% of Online by 200 Retailers (CDTFA)	City Local Tax Allocation with 50% of Online by 200 Retailers (CDTFA + 3rd party)	New Pool Allocation	New Total Local Tax Allocation to City	Previous Total Local Tax Allocation to City	Percentage Change
City A	County Y	\$1,000,000	\$800,000	\$1,100,000	\$15,277	\$1,115,277	\$ 1,025,000	8.8%
City B	County Y	\$3,000,000	\$2,000,000	\$2,500,000	\$34,722	\$2,534,722	\$ 3,075,000	-17.6%

Online sales estimation example

		City Local Tax Allocation 1% (CDTFA)	City Local Tax Allocation Without 50% of Online by 200 Retailers (CDTFA)	City Local Tax Allocation with 50% of Online by 200 Retailers (CDTFA + 3rd party)	New Pool Allocation	New Total Local Tax Allocation to City	Previous Total Local Tax Allocation to City	Percentage Change
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Online sales estimation example

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City B	County Y	\$3,000,000	\$2,000,000	\$2,500,000	\$34,722	\$2,534,722	\$ 3,075,000	-17.6%

Schedule C
+ 3rd party

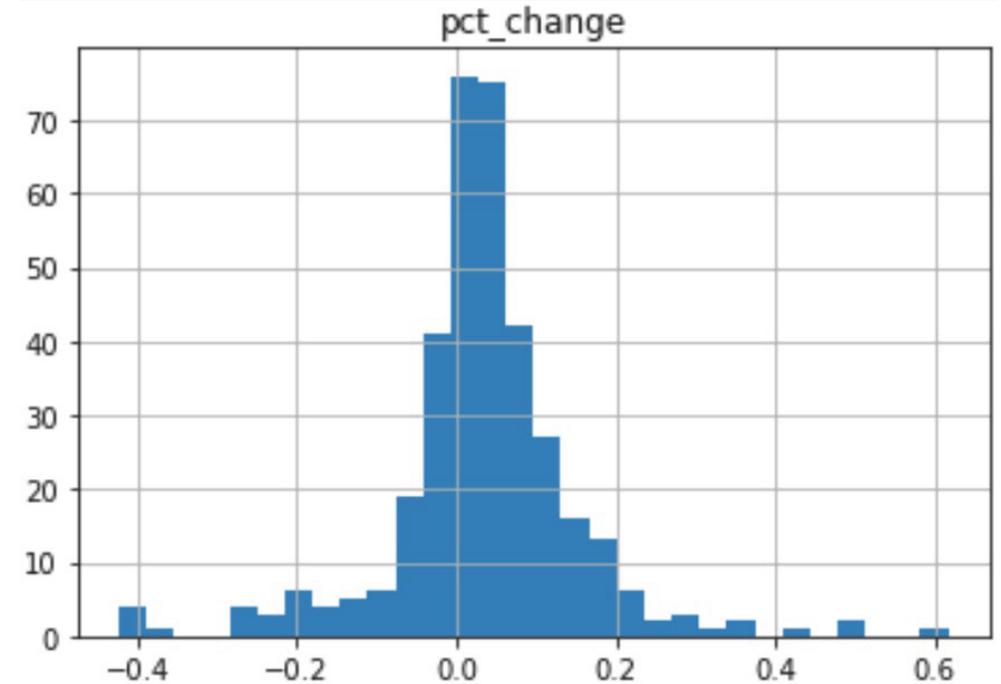
Schedule B

	City Taxable Sales with 200 Retailers (CDTFA + 3rd party)	County Taxable Sales	Pool Taxable Sales	Pool Allocation % (1%)	Pool Allocation
City A	\$110,000,000	\$360,000,000	\$5,000,000	31%	\$15,277
City B	\$250,000,000	\$360,000,000	\$5,000,000	69%	\$34,722

Total county taxable sales changes (.25%)

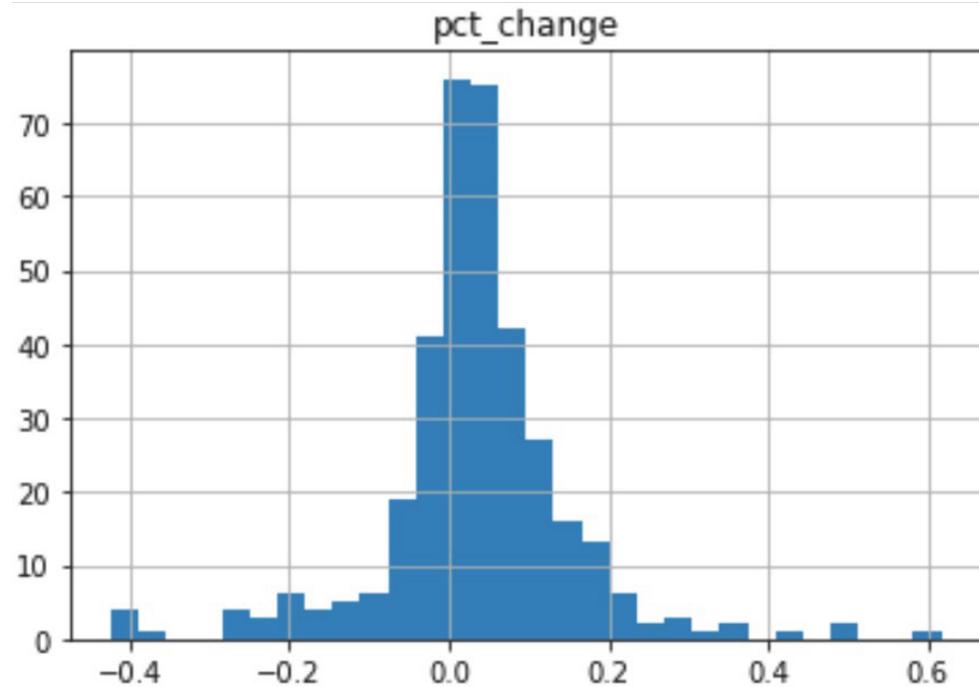
Results

- Small cities are more sensitive to measurement error, and in many cases 3rd party data is insufficient to accurately calculate impacts.
- Removing smaller cities (annual local tax < \$2m) removes some of these inaccuracies.
- Among all 482 cities, 255 gained revenue and 105 lost revenue.

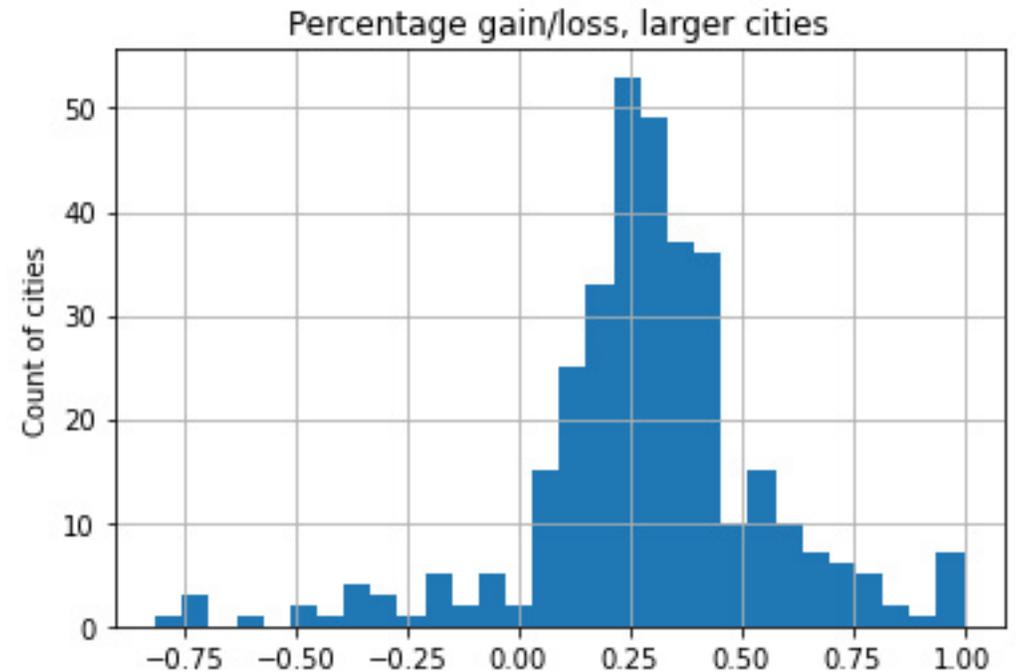


How does 50% reallocation compare to 100%?

50% reallocation



100% reallocation



Why do cities gain or lose?

Gain

- Cities that have relatively few storefronts gain the most on a percentage basis.
- These are mostly rural and tend to be either high or low income.
- Cities of all types show smaller gains.

Lose

- Cities with warehouses or distribution centers for online retailers.
- Cities with retailers with a large percentage of online orders shipped to or delivered by store (home improvement).

Qualifying remarks

- 3rd party data were used for this analysis and estimate, but CDTFA is unable to validate the 3rd party data for completeness or accuracy.
- Small cities (in terms of 3rd party estimated retail sales) are omitted from this analysis due to insufficient information.
- Percentage changes in allocations are based on 2021 taxable sales as reported by taxpayers to CDTFA. Reported amounts may change due to late/amended returns, audits, reallocations, etc. and may not accurately represent current or future years.
- 3rd party data is at the zip code level, and aggregation to the city level is imperfect. Zip code borders do not always align with city borders (see appendix).
- 200 largest retailers might not be representative of all retailers.
- Estimate and analysis do not consider impacts on 0.25% local county tax.

Estimating sales with 3rd party data

- 3rd party dataset provides an estimate of in-person credit and debit card sales at the address of the seller.
- 3rd party dataset does not estimate cash or check sales, however a [2021 Federal Reserve study](#) suggests that about 33% of in-store payments are cash or check.
- 3rd party dataset provides an estimate of online sales at the customer zip code level.
- We assume that online sales are 0% cash.
- For each zip code, the total 3rd party dataset sales by a retailer are given by total sales = online sales + (1.333 x in-store sales)

Accounting for non-taxable sales

- 3rd party dataset captures all sales, whether taxable or not.
- We account for non-taxable sales by scaling 3rd party dataset sales so that the total statewide sales by each retailer match taxable sales reported to CDTFA.

Example: Scaling party dataset

	3rd party statewide sales	CDTFA taxable sales	Non-taxable correction factor	3rd party sales in City A	Estimated taxable sales in City A
Retailer X	\$ 1,000,000	\$ 800,000	0.8		
Retailer Y	\$ 2,000,000	\$ 2,200,000	1.1		

Example: Scaling 3rd party dataset

	3 rd party statewide sales	CDTFA taxable sales	Non-taxable correction factor	3 rd party sales in City A	Estimated taxable sales in City A
Retailer X	\$ 1,000,000	\$ 800,000	0.8	\$ 100,000	\$ 80,000
Retailer Y	\$ 2,000,000	\$ 2,200,000	1.1	\$ 200,000	\$ 220,000

Example: Scaling party dataset

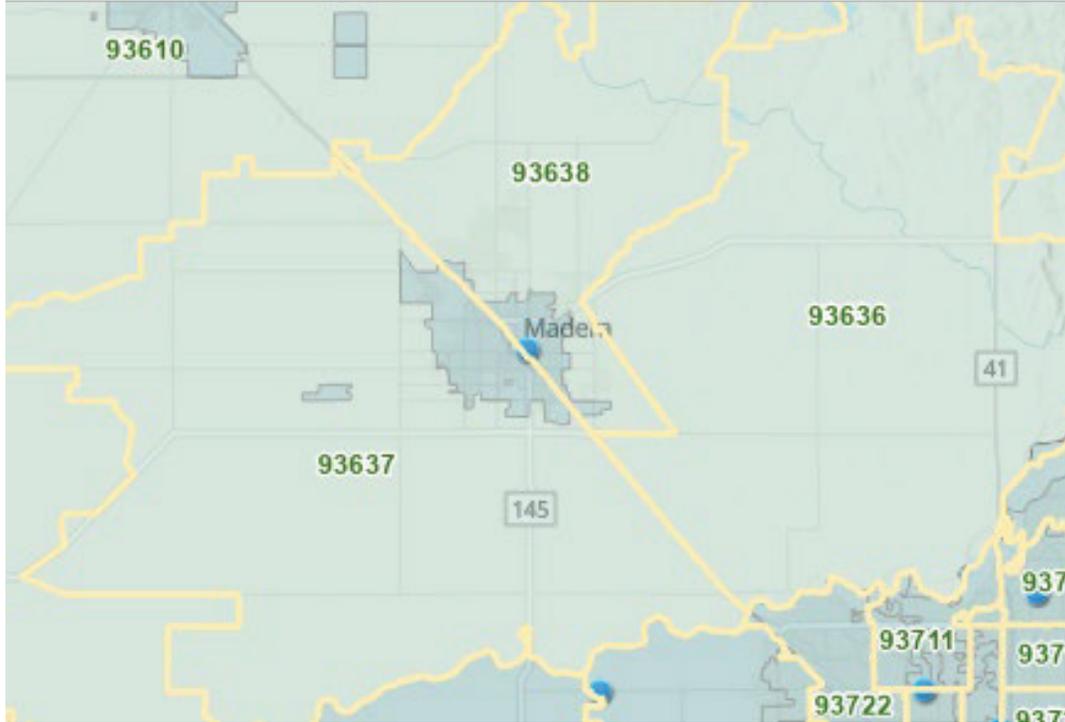
	3rd party statewide sales	CDTFA taxable sales	Non-taxable correction factor	3rd party sales in City A	Estimated taxable sales in City A
Retailer X	\$ 1,000,000	\$ 800,000	0.8	\$ 100,000	\$ 80,000
Retailer Y	\$ 2,000,000	\$ 2,200,000	1.1	\$ 200,000	\$ 220,000



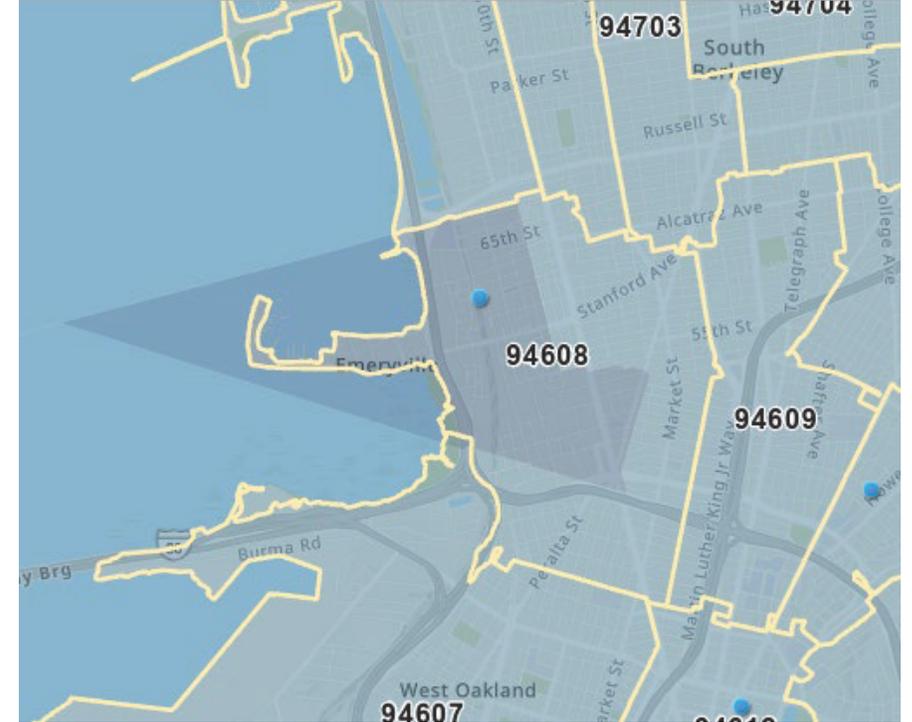
Repeat for appx 200 large retailers and all cities

Assumption: The proportion of sales that are taxable by Retailer X in City A is the same as that by Retailer X in City B.

Appendix: zip code matching



All sales in 93637 and 93638 are attributed to Madera. 93636 is not included in the analysis.



All of Emeryville is located in 94608, but much of 94608 is located in Oakland

ATTACHMENT D

CITY_NAME	COUNTY_NAME	% Change
ADELANTO	SAN BERNARDINO	10-25% gain
AGOURA HILLS	LOS ANGELES	<10% gain
ALAMEDA	ALAMEDA	<10% gain
ALBANY	ALAMEDA	<10% loss
ALHAMBRA	LOS ANGELES	<10% gain
ALISO VIEJO	ORANGE	>25% gain
ALTURAS	MODOC	Insufficient Data
AMADOR CITY	AMADOR	Insufficient Data
AMERICAN CANYON	NAPA	<10% gain
ANAHEIM	ORANGE	<10% loss
ANDERSON	SHASTA	<10% loss
ANGELS CAMP	CALAVERAS	Insufficient Data
ANTIOCH	CONTRA COSTA	<10% gain
APPLE VALLEY	SAN BERNARDINO	<10% gain
ARCADIA	LOS ANGELES	<10% gain
ARCATA	HUMBOLDT	<10% gain
ARROYO GRANDE	SAN LUIS OBISPO	10-25% gain
ARTESIA	LOS ANGELES	<10% gain
ARVIN	KERN	Insufficient Data
ATASCADERO	SAN LUIS OBISPO	10-25% gain
ATHERTON	SAN MATEO	Insufficient Data
ATWATER	MERCED	10-25% gain
AUBURN	PLACER	10-25% gain
AVALON	LOS ANGELES	Insufficient Data
AVENAL	KINGS	Insufficient Data
AZUSA	LOS ANGELES	<10% gain
BAKERSFIELD	KERN	<10% gain
BALDWIN PARK	LOS ANGELES	10-25% loss
BANNING	RIVERSIDE	>25% gain
BARSTOW	SAN BERNARDINO	<10% loss
BEAUMONT	RIVERSIDE	10-25% loss
BELL	LOS ANGELES	<10% loss
BELL GARDENS	LOS ANGELES	10-25% gain
BELLFLOWER	LOS ANGELES	<10% gain
BELMONT	SAN MATEO	<10% gain
BELVEDERE	MARIN	Insufficient Data
BENICIA	SOLANO	<10% gain
BERKELEY	ALAMEDA	<10% gain
BEVERLY HILLS	LOS ANGELES	<10% loss
BIG BEAR LAKE	SAN BERNARDINO	<10% gain
BIGGS	BUTTE	Insufficient Data
BISHOP	INYO	<10% gain
BLUE LAKE	HUMBOLDT	Insufficient Data

BLYTE	RIVERSIDE	Insufficient Data
BRADBURY	LOS ANGELES	Insufficient Data
BRAWLEY	IMPERIAL	<10% gain
BREA	ORANGE	<10% gain
BRENTWOOD	CONTRA COSTA	<10% gain
BRISBANE	SAN MATEO	10-25% loss
BUELLTON	SANTA BARBARA	<10% gain
BUENA PARK	ORANGE	<10% loss
BURBANK	LOS ANGELES	<10% loss
BURLINGAME	SAN MATEO	<10% loss
CALABASAS	LOS ANGELES	10-25% gain
CALEXICO	IMPERIAL	<10% loss
CALIFORNIA CITY	KERN	Insufficient Data
CALIMESA	RIVERSIDE	Insufficient Data
CALIPATRIA	IMPERIAL	Insufficient Data
CALISTOGA	NAPA	Insufficient Data
CAMARILLO	VENTURA	<10% gain
CAMPBELL	SANTA CLARA	<10% gain
CANYON LAKE	RIVERSIDE	Insufficient Data
CAPITOLA	SANTA CRUZ	>25% gain
CARLSBAD	SAN DIEGO	<10% gain
CARMEL	MONTEREY	10-25% gain
CARPINTERIA	SANTA BARBARA	Insufficient Data
CARSON	LOS ANGELES	<10% loss
CATHEDRAL CITY	RIVERSIDE	<10% gain
CERES	STANISLAUS	<10% loss
CERRITOS	LOS ANGELES	<10% loss
CHICO	BUTTE	<10% loss
CHINO	SAN BERNARDINO	<10% gain
CHINO HILLS	SAN BERNARDINO	10-25% gain
CHOWCHILLA	MADERA	<10% gain
CHULA VISTA	SAN DIEGO	<10% gain
CITRUS HEIGHTS	SACRAMENTO	<10% gain
CLAREMONT	LOS ANGELES	<10% gain
CLAYTON	CONTRA COSTA	Insufficient Data
CLEARLAKE	LAKE	<10% loss
CLOVERDALE	SONOMA	Insufficient Data
CLOVIS	FRESNO	<10% gain
COACHELLA	RIVERSIDE	<10% gain
COALINGA	FRESNO	Insufficient Data
COLFAX	PLACER	Insufficient Data
COLMA	SAN MATEO	10-25% loss
COLTON	SAN BERNARDINO	<10% loss
COLUSA	COLUSA	Insufficient Data

COMMERCE	LOS ANGELES	<10% loss
COMPTON	LOS ANGELES	<10% loss
CONCORD	CONTRA COSTA	<10% gain
CORCORAN	KINGS	Insufficient Data
CORNING	TEHAMA	<10% gain
CORONA	RIVERSIDE	<10% gain
CORONADO	SAN DIEGO	10-25% gain
CORTE MADERA	MARIN	<10% loss
COSTA MESA	ORANGE	<10% loss
COTATI	SONOMA	<10% gain
COVINA	LOS ANGELES	<10% gain
CRESCENT CITY	DEL NORTE	10-25% gain
CUDAHY	LOS ANGELES	Insufficient Data
CULVER CITY	LOS ANGELES	<10% loss
CUPERTINO	SANTA CLARA	>25% loss
CYPRESS	ORANGE	<10% gain
DALY CITY	SAN MATEO	10-25% gain
DANA POINT	ORANGE	<10% gain
DANVILLE	CONTRA COSTA	10-25% gain
DAVIS	YOLO	10-25% gain
DEL MAR	SAN DIEGO	Insufficient Data
DEL REY OAKS	MONTEREY	Insufficient Data
DELANO	KERN	<10% loss
DESERT HOT SPRINGS	RIVERSIDE	<10% gain
DIAMOND BAR	LOS ANGELES	10-25% gain
DINUBA	TULARE	>25% loss
DIXON	SOLANO	<10% gain
DORRIS	SISKIYOU	Insufficient Data
DOS PALOS	MERCED	Insufficient Data
DOWNEY	LOS ANGELES	<10% loss
DUARTE	LOS ANGELES	<10% gain
DUBLIN	ALAMEDA	<10% gain
DUNSMUIR	SISKIYOU	Insufficient Data
EAST PALO ALTO	SAN MATEO	>25% loss
EASTVALE	RIVERSIDE	>25% loss
EL CAJON	SAN DIEGO	<10% gain
EL CENTRO	IMPERIAL	<10% loss
EL CERRITO	CONTRA COSTA	10-25% gain
EL MONTE	LOS ANGELES	<10% loss
EL SEGUNDO	LOS ANGELES	<10% loss
ELK GROVE	SACRAMENTO	<10% gain
EMERYVILLE	ALAMEDA	<10% gain
ENCINITAS	SAN DIEGO	<10% gain
ESCALON	SAN JOAQUIN	Insufficient Data

ESCONDIDO	SAN DIEGO	<10% loss
ETNA	SISKIYOU	Insufficient Data
EUREKA	HUMBOLDT	<10% gain
EXETER	TULARE	Insufficient Data
FAIRFAX	MARIN	Insufficient Data
FAIRFIELD	SOLANO	<10% gain
FARMERSVILLE	TULARE	Insufficient Data
FERNDALE	HUMBOLDT	Insufficient Data
FILLMORE	VENTURA	<10% loss
FIREBAUGH	FRESNO	Insufficient Data
FOLSOM	SACRAMENTO	>25% gain
FONTANA	SAN BERNARDINO	<10% loss
FORT BRAGG	MENDOCINO	<10% gain
FORT JONES	SISKIYOU	Insufficient Data
FORTUNA	HUMBOLDT	<10% gain
FOSTER CITY	SAN MATEO	>25% gain
FOUNTAIN VALLEY	ORANGE	<10% gain
FOWLER	FRESNO	Insufficient Data
FREMONT	ALAMEDA	<10% gain
FRESNO	FRESNO	<10% loss
FULLERTON	ORANGE	<10% gain
GALT	SACRAMENTO	10-25% gain
GARDEN GROVE	ORANGE	<10% gain
GARDENA	LOS ANGELES	<10% loss
GILROY	SANTA CLARA	<10% gain
GLENDALE	LOS ANGELES	<10% loss
GLENDORA	LOS ANGELES	<10% gain
GOLETA	SANTA BARBARA	<10% gain
GONZALES	MONTEREY	Insufficient Data
GRAND TERRACE	SAN BERNARDINO	Insufficient Data
GRASS VALLEY	NEVADA	<10% gain
GREENFIELD	MONTEREY	Insufficient Data
GRIDLEY	BUTTE	Insufficient Data
GROVER BEACH	SAN LUIS OBISPO	10-25% gain
GUADALUPE	SANTA BARBARA	Insufficient Data
GUSTINE	MERCED	Insufficient Data
HALF MOON BAY	SAN MATEO	10-25% gain
HANFORD	KINGS	<10% loss
HAWAIIAN GARDENS	LOS ANGELES	Insufficient Data
HAWTHORNE	LOS ANGELES	<10% loss
HAYWARD	ALAMEDA	<10% gain
HEALDSBURG	SONOMA	<10% gain
HEMET	RIVERSIDE	<10% gain
HERCULES	CONTRA COSTA	<10% gain

HERMOSA BEACH	LOS ANGELES	<10% gain
HESPERIA	SAN BERNARDINO	<10% loss
HIDDEN HILLS	LOS ANGELES	Insufficient Data
HIGHLAND	SAN BERNARDINO	>25% gain
HILLSBOROUGH	SAN MATEO	Insufficient Data
HOLLISTER	SAN BENITO	<10% gain
HOLTVILLE	IMPERIAL	Insufficient Data
HUGHSON	STANISLAUS	Insufficient Data
HUNTINGTON BEACH	ORANGE	<10% gain
HUNTINGTON PARK	LOS ANGELES	<10% loss
HURON	FRESNO	Insufficient Data
IMPERIAL	IMPERIAL	<10% gain
IMPERIAL BEACH	SAN DIEGO	Insufficient Data
INDIAN WELLS	RIVERSIDE	Insufficient Data
INDIO	RIVERSIDE	<10% gain
INDUSTRY	LOS ANGELES	<10% loss
INGLEWOOD	LOS ANGELES	<10% loss
IONE	AMADOR	Insufficient Data
IRVINE	ORANGE	<10% gain
IRWINDALE	LOS ANGELES	>25% gain
ISLETON	SACRAMENTO	Insufficient Data
JACKSON	AMADOR	Insufficient Data
JURUPA VALLEY	RIVERSIDE	<10% gain
KERMAN	FRESNO	<10% gain
KING CITY	MONTEREY	Insufficient Data
KINGSBURG	FRESNO	Insufficient Data
LA CANADA FLINTRIDGE	LOS ANGELES	>25% loss
LA HABRA	ORANGE	<10% gain
LA HABRA HEIGHTS	LOS ANGELES	Insufficient Data
LA MESA	SAN DIEGO	<10% gain
LA MIRADA	LOS ANGELES	10-25% loss
LA PALMA	ORANGE	10-25% gain
LA PUENTE	LOS ANGELES	<10% gain
LA QUINTA	RIVERSIDE	<10% gain
LA VERNE	LOS ANGELES	<10% gain
LAFAYETTE	CONTRA COSTA	10-25% gain
LAGUNA BEACH	ORANGE	<10% gain
LAGUNA HILLS	ORANGE	10-25% gain
LAGUNA NIGUEL	ORANGE	10-25% gain
LAGUNA WOODS	ORANGE	Insufficient Data
LAKE ELSINORE	RIVERSIDE	<10% gain
LAKE FOREST	ORANGE	<10% gain
LAKEPORT	LAKE	Insufficient Data
LAKEWOOD	LOS ANGELES	<10% gain

LANCASTER	LOS ANGELES	<10% loss
LARKSPUR	MARIN	10-25% gain
LATHROP	SAN JOAQUIN	10-25% loss
LAWNDALE	LOS ANGELES	<10% gain
LEMON GROVE	SAN DIEGO	<10% loss
LEMOORE	KINGS	10-25% gain
LINCOLN	PLACER	10-25% gain
LINDSAY	TULARE	Insufficient Data
LIVE OAK	SUTTER	Insufficient Data
LIVERMORE	ALAMEDA	<10% gain
LIVINGSTON	MERCED	Insufficient Data
LODI	SAN JOAQUIN	<10% gain
LOMA LINDA	SAN BERNARDINO	<10% gain
LOMITA	LOS ANGELES	10-25% gain
LOMPOC	SANTA BARBARA	<10% gain
LONG BEACH	LOS ANGELES	<10% gain
LOOMIS	PLACER	Insufficient Data
LOS ALAMITOS	ORANGE	10-25% gain
LOS ALTOS	SANTA CLARA	10-25% gain
LOS ALTOS HILLS	SANTA CLARA	Insufficient Data
LOS ANGELES	LOS ANGELES	<10% gain
LOS BANOS	MERCED	<10% gain
LOS GATOS	SANTA CLARA	10-25% gain
LOYALTON	SIERRA	Insufficient Data
LYNWOOD	LOS ANGELES	<10% loss
MADERA	MADERA	<10% gain
MALIBU	LOS ANGELES	<10% gain
MAMMOTH LAKES	MONO	<10% gain
MANHATTAN BEACH	LOS ANGELES	<10% gain
MANTECA	SAN JOAQUIN	<10% gain
MARICOPA	KERN	Insufficient Data
MARINA	MONTEREY	10-25% gain
MARTINEZ	CONTRA COSTA	<10% gain
MARYSVILLE	YUBA	>25% gain
MAYWOOD	LOS ANGELES	<10% loss
MCFARLAND	KERN	Insufficient Data
MENDOTA	FRESNO	Insufficient Data
MENIFEE	RIVERSIDE	<10% gain
MENLO PARK	SAN MATEO	10-25% gain
MERCED	MERCED	<10% gain
MILL VALLEY	MARIN	10-25% gain
MILLBRAE	SAN MATEO	10-25% gain
MILPITAS	SANTA CLARA	<10% gain
MISSION VIEJO	ORANGE	10-25% gain

MODESTO	STANISLAUS	<10% gain
MONROVIA	LOS ANGELES	<10% gain
MONTAGUE	SISKIYOU	Insufficient Data
MONTCLAIR	SAN BERNARDINO	<10% loss
MONTE SERENO	SANTA CLARA	Insufficient Data
MONTEBELLO	LOS ANGELES	<10% loss
MONTEREY	MONTEREY	<10% gain
MONTEREY PARK	LOS ANGELES	<10% loss
MOORPARK	VENTURA	10-25% gain
MORAGA	CONTRA COSTA	Insufficient Data
MORENO VALLEY	RIVERSIDE	10-25% loss
MORGAN HILL	SANTA CLARA	10-25% loss
MORRO BAY	SAN LUIS OBISPO	10-25% gain
MOUNTAIN VIEW	SANTA CLARA	<10% gain
MT. SHASTA	SISKIYOU	Insufficient Data
MURRIETA	RIVERSIDE	<10% gain
NAPA	NAPA	<10% gain
NATIONAL CITY	SAN DIEGO	<10% loss
NEEDLES	SAN BERNARDINO	Insufficient Data
NEVADA CITY	NEVADA	Insufficient Data
NEWARK	ALAMEDA	<10% gain
NEWMAN	STANISLAUS	Insufficient Data
NEWPORT BEACH	ORANGE	<10% gain
NORCO	RIVERSIDE	<10% gain
NORWALK	LOS ANGELES	<10% loss
NOVATO	MARIN	<10% gain
OAKDALE	STANISLAUS	<10% gain
OAKLAND	ALAMEDA	<10% gain
OAKLEY	CONTRA COSTA	10-25% gain
OCEANSIDE	SAN DIEGO	<10% gain
OJAI	VENTURA	Insufficient Data
ONTARIO	SAN BERNARDINO	<10% loss
ORANGE	ORANGE	<10% loss
ORANGE COVE	FRESNO	Insufficient Data
ORINDA	CONTRA COSTA	Insufficient Data
ORLAND	GLENN	<10% loss
OROVILLE	BUTTE	<10% gain
OXNARD	VENTURA	<10% loss
PACIFIC GROVE	MONTEREY	Insufficient Data
PACIFICA	SAN MATEO	>25% gain
PALM DESERT	RIVERSIDE	<10% gain
PALM SPRINGS	RIVERSIDE	<10% loss
PALMDALE	LOS ANGELES	<10% loss
PALO ALTO	SANTA CLARA	10-25% gain

PALOS VERDES ESTATES	LOS ANGELES	Insufficient Data
PARADISE	BUTTE	Insufficient Data
PARAMOUNT	LOS ANGELES	<10% loss
PARLIER	FRESNO	Insufficient Data
PASADENA	LOS ANGELES	<10% gain
PASO ROBLES	SAN LUIS OBISPO	<10% gain
PATTERSON	STANISLAUS	10-25% loss
PERRIS	RIVERSIDE	10-25% loss
PETALUMA	SONOMA	<10% gain
PICO RIVERA	LOS ANGELES	<10% loss
PIEDMONT	ALAMEDA	Insufficient Data
PINOLE	CONTRA COSTA	<10% gain
PISMO BEACH	SAN LUIS OBISPO	<10% gain
PITTSBURG	CONTRA COSTA	<10% loss
PLACENTIA	ORANGE	<10% gain
PLACERVILLE	EL DORADO	10-25% gain
PLEASANT HILL	CONTRA COSTA	<10% gain
PLEASANTON	ALAMEDA	<10% gain
PLYMOUTH	AMADOR	Insufficient Data
POINT ARENA	MENDOCINO	Insufficient Data
POMONA	LOS ANGELES	<10% loss
PORT HUENEME	VENTURA	<10% gain
PORTERVILLE	TULARE	<10% gain
PORTOLA	PLUMAS	Insufficient Data
PORTOLA VALLEY	SAN MATEO	Insufficient Data
POWAY	SAN DIEGO	10-25% gain
RANCHO CORDOVA	SACRAMENTO	<10% gain
RANCHO CUCAMONGA	SAN BERNARDINO	<10% gain
RANCHO MIRAGE	RIVERSIDE	<10% gain
RANCHO PALOS VERDES	LOS ANGELES	>25% gain
RANCHO SANTA MARGARITA	ORANGE	10-25% gain
RED BLUFF	TEHAMA	<10% loss
REDDING	SHASTA	<10% gain
REDLANDS	SAN BERNARDINO	<10% gain
REDONDO BEACH	LOS ANGELES	<10% gain
REDWOOD CITY	SAN MATEO	<10% gain
REEDLEY	FRESNO	<10% gain
RIALTO	SAN BERNARDINO	>25% loss
RICHMOND	CONTRA COSTA	<10% loss
RIDGECREST	KERN	10-25% gain
RIO DELL	HUMBOLDT	Insufficient Data
RIO VISTA	SOLANO	Insufficient Data
RIPON	SAN JOAQUIN	<10% gain
RIVERBANK	STANISLAUS	<10% gain

RIVERSIDE	RIVERSIDE	<10% loss
ROCKLIN	PLACER	<10% gain
ROHNERT PARK	SONOMA	<10% gain
ROLLING HILLS	LOS ANGELES	Insufficient Data
ROLLING HILLS ESTATES	LOS ANGELES	Insufficient Data
ROSEMEAD	LOS ANGELES	<10% gain
ROSEVILLE	PLACER	<10% gain
ROSS	MARIN	Insufficient Data
SACRAMENTO	SACRAMENTO	<10% gain
SALINAS	MONTEREY	<10% loss
SAN ANSELMO	MARIN	Insufficient Data
SAN BERNARDINO	SAN BERNARDINO	10-25% loss
SAN BRUNO	SAN MATEO	>25% loss
SAN CARLOS	SAN MATEO	<10% gain
SAN CLEMENTE	ORANGE	<10% gain
SAN DIEGO	SAN DIEGO	<10% gain
SAN DIMAS	LOS ANGELES	<10% gain
SAN FERNANDO	LOS ANGELES	<10% loss
SAN FRANCISCO	SAN FRANCISCO	<10% gain
SAN GABRIEL	LOS ANGELES	10-25% gain
SAN JACINTO	RIVERSIDE	<10% gain
SAN JOAQUIN	FRESNO	Insufficient Data
SAN JOSE	SANTA CLARA	<10% loss
SAN JUAN BAUTISTA	SAN BENITO	Insufficient Data
SAN JUAN CAPISTRANO	ORANGE	<10% gain
SAN LEANDRO	ALAMEDA	<10% loss
SAN LUIS OBISPO	SAN LUIS OBISPO	<10% gain
SAN MARCOS	SAN DIEGO	<10% gain
SAN MARINO	LOS ANGELES	Insufficient Data
SAN MATEO	SAN MATEO	<10% loss
SAN PABLO	CONTRA COSTA	10-25% loss
SAN RAFAEL	MARIN	<10% gain
SAN RAMON	CONTRA COSTA	10-25% gain
SAND CITY	MONTEREY	10-25% loss
SANGER	FRESNO	10-25% gain
SANTA ANA	ORANGE	<10% gain
SANTA BARBARA	SANTA BARBARA	<10% gain
SANTA CLARA	SANTA CLARA	<10% gain
SANTA CLARITA	LOS ANGELES	<10% gain
SANTA CRUZ	SANTA CRUZ	<10% gain
SANTA FE SPRINGS	LOS ANGELES	<10% loss
SANTA MARIA	SANTA BARBARA	<10% gain
SANTA MONICA	LOS ANGELES	<10% loss
SANTA PAULA	VENTURA	<10% gain

SANTA ROSA	SONOMA	<10% gain
SANTEE	SAN DIEGO	>25% loss
SARATOGA	SANTA CLARA	Insufficient Data
SAUSALITO	MARIN	<10% gain
SCOTTS VALLEY	SANTA CRUZ	10-25% gain
SEAL BEACH	ORANGE	<10% gain
SEASIDE	MONTEREY	<10% gain
SEBASTOPOL	SONOMA	10-25% gain
SELMA	FRESNO	<10% gain
SHAFTER	KERN	>25% loss
SHASTA LAKE	SHASTA	Insufficient Data
SIERRA MADRE	LOS ANGELES	Insufficient Data
SIGNAL HILL	LOS ANGELES	10-25% loss
SIMI VALLEY	VENTURA	<10% gain
SOLANA BEACH	SAN DIEGO	<10% gain
SOLEDAD	MONTEREY	Insufficient Data
SOLVANG	SANTA BARBARA	Insufficient Data
SONOMA	SONOMA	10-25% gain
SONORA	TUOLUMNE	10-25% gain
SOUTH EL MONTE	LOS ANGELES	<10% loss
SOUTH GATE	LOS ANGELES	<10% loss
SOUTH LAKE TAHOE	EL DORADO	<10% gain
SOUTH PASADENA	LOS ANGELES	10-25% gain
SOUTH SAN FRANCISCO	SAN MATEO	<10% gain
ST. HELENA	NAPA	<10% gain
STANTON	ORANGE	<10% loss
STOCKTON	SAN JOAQUIN	<10% loss
SUISUN	SOLANO	10-25% gain
SUNNYVALE	SANTA CLARA	<10% gain
SUSANVILLE	LASSEN	<10% gain
SUTTER CREEK	AMADOR	Insufficient Data
TAFT	KERN	Insufficient Data
TEHACHAPI	KERN	10-25% gain
TEHAMA	TEHAMA	Insufficient Data
TEMECULA	RIVERSIDE	<10% gain
TEMPLE CITY	LOS ANGELES	10-25% gain
THOUSAND OAKS	VENTURA	<10% gain
TIBURON	MARIN	Insufficient Data
TORRANCE	LOS ANGELES	<10% gain
TRACY	SAN JOAQUIN	10-25% loss
TRINIDAD	HUMBOLDT	Insufficient Data
TRUCKEE	NEVADA	<10% gain
TULARE	TULARE	<10% loss
TULELAKE	SISKIYOU	Insufficient Data

TURLOCK	STANISLAUS	<10% gain
TUSTIN	ORANGE	<10% gain
TWENTYNINE PALMS	SAN BERNARDINO	Insufficient Data
UKIAH	MENDOCINO	<10% gain
UNION CITY	ALAMEDA	<10% gain
UPLAND	SAN BERNARDINO	<10% gain
VACAVILLE	SOLANO	<10% gain
VALLEJO	SOLANO	<10% gain
VENTURA	VENTURA	<10% loss
VERNON	LOS ANGELES	10-25% loss
VICTORVILLE	SAN BERNARDINO	<10% loss
VILLA PARK	ORANGE	Insufficient Data
VISALIA	TULARE	<10% gain
VISTA	SAN DIEGO	<10% gain
WALNUT	LOS ANGELES	>25% gain
WALNUT CREEK	CONTRA COSTA	<10% gain
WASCO	KERN	<10% gain
WATERFORD	STANISLAUS	Insufficient Data
WATSONVILLE	SANTA CRUZ	<10% gain
WEED	SISKIYOU	Insufficient Data
WEST COVINA	LOS ANGELES	<10% loss
WEST HOLLYWOOD	LOS ANGELES	10-25% loss
WEST SACRAMENTO	YOLO	<10% loss
WESTLAKE VILLAGE	LOS ANGELES	10-25% loss
WESTMINSTER	ORANGE	<10% gain
WESTMORLAND	IMPERIAL	Insufficient Data
WHEATLAND	YUBA	Insufficient Data
WHITTIER	LOS ANGELES	10-25% gain
WILDOMAR	RIVERSIDE	10-25% gain
WILLIAMS	COLUSA	Insufficient Data
WILLITS	MENDOCINO	Insufficient Data
WILLOWS	GLENN	Insufficient Data
WINDSOR	SONOMA	10-25% gain
WINTERS	YOLO	Insufficient Data
WOODLAKE	TULARE	Insufficient Data
WOODLAND	YOLO	<10% gain
WOODSIDE	SAN MATEO	Insufficient Data
YORBA LINDA	ORANGE	10-25% gain
YOUNTVILLE	NAPA	Insufficient Data
YREKA	SISKIYOU	<10% loss
YUBA CITY	SUTTER	<10% loss
YUCAIPA	SAN BERNARDINO	10-25% gain
YUCCA VALLEY	SAN BERNARDINO	<10% gain



CITY OF RANCHO CUCAMONGA

10500 Civic Center | Rancho Cucamonga, CA 91730 | 1-909-477-2700 | www.CityofRC.us

ATTACHMENT E

July 1, 2025

League of California Cities (CalCities)
1400 K Street, Suite 400
Sacramento, CA 95814

Subject: Keep Sales Tax Revenues Local through Bradley Burns Sales Tax Reform

Dear CalCities Board Members,

On behalf of the City of Rancho Cucamonga, we want to express our strong support to the City Managers Sales Tax Working Group's package of recommendations to modernize the rules, including Bradley Burns 1% Sales Tax, around e-commerce transactions. The regulations have not kept pace with an evolving technological environment. As a result, local sales tax paid by residents in our cities for purchases over the internet, no longer stays local. It is time to level the playing field, so all cities have equitable access to e-commerce sales tax revenue.

It is concerning to the City of Rancho Cucamonga, that the efforts of dozens of city managers from throughout the entire State of California, who spent years working collaboratively to achieve consensus on a package of recommendations to update the regulations around e-commerce, may be mischaracterized or misrepresented by a small group of agencies that have determined to oppose reform efforts that benefit the larger collective of all cities. We write to correct some of the misinformation that is being circulated through this process:

- The City Managers Sales Tax Working Group did NOT begin during COVID when e-commerce sales were booming. The City Manager's sales tax group began over three years before COVID when it became clear that online sales were going to one day eclipse brick and mortar sales. The COVID iteration of the Working Group was actually Round 2.
- Many, if not most decisions to invest in warehouse development were NOT made with the knowledge the e-commerce sales tax revenue would offset the infrastructure investment. Until 2021-22, when a particularly large e-commerce retailer, who previously attributed all their sales to out-of-state which meant the revenue flowed thru the county pools and was distributed pro-rata based on overall sales to every city in every county, switched to an in-state entity, a much larger group of all cities received a more equitable share of their online sales. Further, well over 90% of warehouses were and still are built on spec, with no lease signed until they are usually under construction. Even at that, nearly 90% of all warehouses generate little or no sales tax. Therefore, when most decisions are made by cities to approve e-commerce there is no way to know if they will even receive sales taxes. The decisions are based on jobs and other local economic benefits such as property tax and business license.

- E-commerce is STILL thriving and assertions this is no longer the case are incorrect. E-commerce was on a trend for years before COVID to exceed brick and mortar with sales growing steadily each year. During COVID because brick and mortar shut down, e-commerce experienced an anomalous one-time surge. That surge has now dropped back to pre-COVID levels but is still slowly growing year over year and remains on track to equal and one day surpass brick and mortar. This will not change because e-commerce is a more efficient and lower cost way to distribute items, to a larger network of people without the same level of overhead cost. Warehouses closing, or moving, may indeed be happening right now, but this is because new warehouses are being built that are larger and more efficient and because certain geographic areas significantly over-built for warehouses (during COVID) leading to decreasing rents and increasing competition now that sales have returned to a more modest pace of growth. Those trends are related to development and are not reflective of e-commerce itself, which continues to grow.
- It is TRUE the 50/50 split has a 10% corridor that could result in less than an equitable split, but there is no reason to assume it could result in 60% going to non-warehouse cities as it could just as easily tilt towards warehouse cities. The recommended split was 50/50 but the City Managers Sales Tax Working Group realized that if there was a 1 or 2% deviation going thru the legislature it would be silly to change position because of a minor deviation and they supported giving CalCities flexibility in that regard.
- The changes recommended do NOT retroactively undermine the current structure. The recommendations were prospective and existing agreements are not impacted. Further, any revenue split would take years to become effective and would be phased in gradually so there is no reason for the current structure to be undermined and create fiscal challenges if proper planning and foresight are exercised.
- Warehouse cities will NOT face debilitating deficits if this passes and be unable to maintain the infrastructure they have built. As noted earlier, most of these warehouses were built before many of the current changes and trends. The vast majority of warehouses are not sales tax generating locations and never will be. Decisions to approve these projects were based on the jobs created, the property tax generated and the overall economic development benefits to the community. Non-warehouse cities in many cases are and have been facing their own deficits as the sales tax they were receiving from online sales has been bled away over the last several years, their brick and mortar is slowly declining, and their infrastructure is aging beyond their ability to maintain. Options exist for all cities including transaction and use tax additions, community facility districts, business improvement districts, enhanced infrastructure financing districts and other solutions.

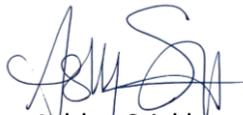
It is time to level the playing field and ensure that local sales tax remains local. Allowing non-warehouse cities to keep at least 50% of the sales tax their residents pay for online sales is equitable. Warehouse cities will keep 100% of the sales tax from their own local sales and 50% of everyone else's sales. It is inequitable to let outdated, 50-year old regulations create a have-

versus-have-not system where e-commerce sales benefit a few cities at the expense of the many. Residents expect the taxes they pay to support their own communities - not be diverted elsewhere. We must modernize the system to keep local revenues local and ensure all cities remain financially viable. Rancho Cucamonga supports the recommendations of the City Manager's Sales Tax Working Group.

Sincerely,


L. Dennis Michael
Mayor


Lynne B. Kennedy
Mayor Pro Tem


Ashley Stickler
Council Member


Ryan A. Hutchison
Council Member


Kristine D. Scott
Council Member

David Newman
Mayor

July 28, 2025

Ms. Lynne Kennedy, President; and Honorable Board of Directors
Ms. Carolyn Coleman, Executive Director
League of California Cities (CalCities)
1400 K Street, Suite 400
Sacramento, CA 95814

**RE: SUPPORT OF CITY MANAGER'S SALES TAX WORKING GROUP'S
PACKAGE OF RECOMMENDATIONS--- "KEEP SALES TAX REVENUES
LOCAL THROUGH BRADLEY BURNS SALES TAX REFORM"**

Dear President Kennedy, Cal Cities Board of Directors, and Executive Director
Coleman,

On behalf of the City of Thousand Oaks, we want to express our strong support for the City Manager's Sales Tax Working Group's package of recommendations to modernize the rules, including Bradley Burns 1% Sales Tax, around e-commerce transactions.

Over the past several years, a working group of elected officials and executive managers has diligently examined sales tax challenges. Their collaborative efforts have yielded recommendations designed to ensure equity across all cities, promote fiscal sustainability, and enhance sales tax viability. Our own City Manager, Andrew P. Powers, was a significant contributor to this group, dedicating extensive time to finding effective solutions.

Innovative retail models, especially online shopping, have outpaced regulations, creating a major issue: local sales tax dollars from our residents' online purchases no longer stay in our cities. We urgently need to level the playing field and ensure all communities have equitable access to e-commerce sales tax revenue.

The City of Thousand Oaks is deeply concerned that a small number of cities might misrepresent years of collaborative work by dozens of California city managers. These managers worked tirelessly to build consensus on e-commerce reform, and their recommendations would benefit the vast majority of cities but more importantly provide a method for online sales tax revenue to be allocated equitably.

A great deal of misinformation is being circulated through this process:

- The City Manager's Sales Tax Working Group did NOT begin during COVID when e-commerce sales were booming. The City Manager's Sales Tax Working Group began many years before COVID when it became clear that online sales were going to one day eclipse brick and mortar. The COVID iteration of the Working Group was actually Round 2.
- Many, if not most decisions to invest in warehouse development were NOT made with the knowledge the e-commerce sales tax revenue would offset the infrastructure investment. Until 2021-22, when a particularly large e-commerce retailer, who previously attributed all their sales to out-of-state which meant the revenue flowed through the county pools and was distributed pro-rata based on overall sales to every city in every county, switched to an in-state entity, a much larger group of all cities received a more equitable share of their online sales. Further, well over 90% of warehouses were and still are built on spec, with no lease signed until they are usually under construction. Therefore, when most decisions are made by cities to approve e-commerce there is no way to know if they will even receive sales taxes.
- E-commerce is STILL thriving, despite assertions that this is no longer the case. E-commerce was on a trend for years before COVID to exceed brick and mortar with sales growing steadily each year. During COVID, because brick and mortar shut down, e-commerce experienced an anomalous one-time surge. That surge has now dropped back to pre-COVID levels but is still growing year-over-year and remains on track to equal, and one day surpass, brick and mortar. This will not change because e-commerce is a more efficient and lower cost way to distribute both common and uncommon items to a larger network of people without the same level of overhead cost. Warehouses are currently closing or moving. However, this is because new ones are being built that are larger and cheaper and because certain geographic areas significantly over-built for warehouses (during COVID) leading to decreasing rents and increasing competition now that sales have returned to a more modest pace of growth. Those trends are related to development—not e-commerce itself.
- It is TRUE the 50/50 split has a 10% corridor that could result in less than an equitable split, but there is no reason to assume it could result in 60% going to warehouse cities and only 40% going to non-warehouse cities. The recommended split was 50/50, but the City Manager's Sales Tax Working Group realized if there was a 1 or 2% deviation going through the legislature it would be pointless to

change position because of a minor deviation and they supported giving CalCities flexibility in that regard.

- The changes recommended do NOT retroactively undermine the current structure. The recommendations were prospective and existing agreements are not impacted. Further, any revenue split would take years to become effective and would be phased in gradually so there is no reason for the current structure to be undermined and create fiscal challenges if proper planning and foresight are exercised.
- Warehouse cities will NOT face debilitating deficits and will continue to be able to maintain the infrastructure they have built if this passes. As noted earlier, most of these warehouses were built BEFORE the current changes impacted revenue distribution. Further, the vast majority of warehouses are not sales tax generating locations and never will be. Decisions to approve these projects were based on the jobs created, the property tax generated and the overall economic development benefits to the community. Non-warehouse cities in many cases are and have been facing their own deficits as the sales tax they were receiving from online sales has been eroded over the last several years, their brick and mortar is slowly declining, and their infrastructure is aging beyond their ability to maintain. Options exist for all cities including transaction and use tax additions, community facility districts, business improvement districts, enhanced infrastructure financing districts and other solutions.

We must rebalance the system to ensure the sales tax generated by local purchases truly benefits our communities. Allowing non-warehouse cities to retain at least 50% of the sales tax their residents pay for online purchases is a matter of fairness. Many of these cities, including the City of Thousand Oaks, have warehouses within city limits, often called last-mile warehouses, that lead to similar infrastructure impacts that warehouse cities face. Yet, these cities do not receive their fair share of sales tax to mitigate these infrastructure impacts.

Currently, warehouse cities keep 100% of the sales tax from the Bradley Burns sales and use tax generated from e-commerce transactions. This creates an inequitable "*have versus have-not*" situation, where outdated, 50-year-old regulations allow a handful of cities to disproportionately benefit from e-commerce sales across the state. This comes at the expense of residents who pay these taxes, expecting the revenue to benefit their own communities. To ensure the viability of all cities, we must prioritize keeping local revenues within these communities.

The City of Thousand Oaks appreciates the work done by City Manager's Sales Tax Working Group and strongly supports their recommendations.

Sincerely,



David Newman
Mayor

cc: John Gillison, CM, City of Rancho Cucamonga/ Chair CM Working Group
John.Gillison@cityofrc.us
Ben Triffo, Legislative Advocate, Cal Cities Revenue and Taxation Committee
btriffo@calcities.org
Assemblymember Jacqui Irwin
Senator Henry Stern
David Mullinax- Regional Public Affairs Manager, dmullinax@calcities.org
League of California Cities, cityletters@calcities.org
California Public Policy Group

cmo:660-40/Cal Cities Sales Tax Reform 072825.ml



September 11, 2025

Carolyn Coleman
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

Re: Keep Sales Tax Revenues Local Through Bradley Burns Sales Tax Reform

Dear Ms. Coleman and CalCities Board Members:

On behalf of the City of Upland, I write to you today to express our strong support for the City Manager's Sales Tax Working Group's package of recommendations to modernize the rules surrounding e-commerce transactions, including the Bradley Burns 1% Sales Tax, which have not kept pace with an evolving technological environment. As a result, local sales tax paid by residents in our cities for internet purchases often do not stay local. It is critical that we level the playing field to ensure all cities have equitable access to e-commerce sales tax revenue.

It is concerning that the efforts of dozens of City Managers throughout the entire State of California may be mischaracterized or misrepresented by a small group of agencies that are determined to oppose reform efforts that benefit the larger collective of all cities. I write today to correct some of the misinformation that has been circulated during conversations regarding sales tax revenue reform.

First, there is a notion that the City Managers Sales Tax Working Group began during the COVID-19 pandemic when e-commerce sales were booming. This is not true. The City Managers Sales Tax Working Group began over three years before COVID-19, when it became clear that online sales would eventually eclipse brick and mortar sales. The working group that met during the COVID-19 pandemic was the second iteration of the group and built upon the framework already established by the group that existed over three years before.

Additionally, although it is true that the 50/50 split proposed by the City Manager's Sales Tax Working Group allows for a 10% corridor that could result in non-equal distribution, there is no basis to assume it would shift as far as 60% to non-warehouse cities since it could just as easily tilt in favor of cities with sales tax agreements. Even though the recommended split was 50/50, the City Manager's Sales Tax Working Group realized that if a 1% or 2% deviation went through the Legislature, it would be wise to build a degree of latitude into the proposal in order to ensure that the City Manager's Sales Tax Working Group could maintain their position in the event of a minor deviation and also to provide CalCities flexibility in that regard.

Lastly, the changes proposed do not retroactively undermine the current structure. The recommendations were prospective, and existing agreements are not impacted. Further, any revenue split would take years to become effective and would be phased in gradually, so there is no reason for the current structure to be undermined if proper planning and foresight are exercised.



City of Upland

Mayor's Office

We believe it is time to level the playing field going forward and ensure that local sales tax remains local. Allowing cities to keep at least 50% of the sales tax their own residents pay for online local sales is equitable. Cities with sales tax agreements will keep 100% of the sales tax from their own local sales and 50% of other cities sales. It is inequitable and unfair to let 50+ year old regulations create a have versus have-not situation, and pit cities on both sides of critical revenue decisions against one another.

For the above reasons, the City of Upland supports the recommendation of the City Manager's Sales Tax Working Group.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bill Velto".

Bill Velto,
Mayor, City of Upland



JERRY P. DYER
MAYOR

January 7, 2026

Carolyn Coleman, Executive Director
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

RE: Urging Cal Cities to Protect Local Revenue and Oppose Bradley-Burns Sales Tax Changes

Dear Ms. Coleman and League of California Cities Board Members:

As the City of Fresno's Mayor, I write to express deep concern regarding ongoing discussions to alter the e-commerce transaction allocation of the Bradley-Burns 1% Sales Tax. While the League of California Cities Board (Cal Cities) has yet to take a formal position, I understand this issue may soon be considered by the Revenue and Taxation Policy Committee. With that in mind, I urge Cal Cities to stand firmly against any proposal that redistributes this critical revenue source and instead work with cities to protect local revenues.

Sales tax is foundational to municipal budgets. In Fresno, it accounts for nearly 30% of our annual revenue – funds that support essential services and community investments. For years, Fresno has heavily opposed changes to Bradley-Burns allocations because such proposals undermine cities that have made deliberate, costly decisions to attract e-commerce distribution centers.

Our city invested millions in infrastructure to create jobs, diversify our economy, and broaden our tax base. These efforts came with tradeoffs such as increased truck traffic, ongoing air-quality challenges, and adverse environmental issues that we continue to address. The revenue generated by these facilities is not a windfall; these funds are essential to offset the negative effects and support disadvantaged communities such as Fresno, where 23% of residents live in poverty and household incomes are far below the state average.

The current City Managers Sales Tax Working Group recommendation – a 50-50 revenue split between point-of-sale locales and those with online distribution centers – would devastate cities like Fresno. A further recommendation includes a $\pm 10\%$ adjustment to that split. This would compound the uncertainty, not only making responsible budgeting a nearly impossible feat, but also potentially crippling smaller cities. Additionally, while Fresno benefitted from having a representative in this working group, our adamant opposition was in the minority and therefore not sufficiently represented. More than 70% of the cities represented in this group would benefit from proposed changes, creating winners and losers among Cal Cities' member cities – an approach that contradicts the organization's core principle of protecting local revenues.

Incredibly, previous attempts to change the Bradley-Burns 1% Sales Tax distribution were far worse. Proposals to eliminate point-of-sale revenues failed for good reason – they were inequitable and divisive. Yet, some cities and private-sector interests continue to push for redistribution.

Some of these cities have for decades generated disproportionately higher per-capita revenue from hotels, retail centers, and other brick-and-mortar facilities. For example, in one California city the opening of a regional mall boosted sales tax revenue by 44 percent in its first year – largely by attracting shoppers from neighboring communities. Yet there was no proposal to share that revenue with those cities. Similarly, do other California cities expect a portion of transient occupancy taxes when their residents visit major tourist attractions or amusement parks? Pursuing this line of reasoning leads down a slippery slope that risks pitting cities against each other rather than fostering collaboration and allowing each city to benefit from its own economic pursuits.

This proposed reallocation doesn't just risk creating conflict among cities – it threatens to undermine economic development strategies and penalize communities that have already made difficult, forward-looking choices to lift residents out of poverty. Cities that invested in the e-commerce model knew it came with tradeoffs but forged ahead because they believed it was the best path to economic opportunity. Stripping this revenue from communities like Fresno would shift resources from those who took the greatest risks and challenges, leaving them without the means to mitigate the challenges and changes brought by job-creating e-commerce centers.

The data speaks volumes. Over 100 cities are reported to be negatively impacted by eliminating or reducing point-of-sale allocations. I encourage all Cal Cities members to request the list of “winners” and “losers” from staff if you don't know where your community falls. These proposals create instability and inequity at a time when we should instead be focused on issues – such as unfunded state mandates – that unite all Cal Cities members.

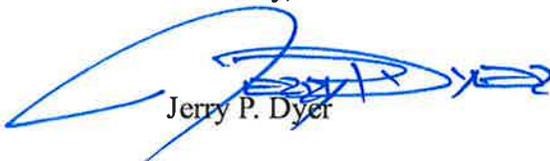
Again, communities like Fresno lack the natural advantages of coastal cities, the proximity to wealth centers and the beacons of tourism with amazing theme parks. We worked hard, accepted environmental burdens, and invested strategically to create opportunities for those we serve.

I respectfully urge Cal Cities to:

- Reject any recommendations to redistribute Bradley-Burns sales tax revenue for e-commerce transactions
- Continue advocating for protecting local revenue sources for all cities.
- Focus on issues that unite cities, rather than those that divide us.

Thank you for your leadership and commitment to California's cities. Fresno stands ready to work with Cal Cities and our fellow communities to protect local revenues.

Sincerely,



Jerry P. Dyer



City of Tracy
333 Civic Center Plaza
Tracy, CA 95376

OFFICE OF THE MAYOR

MAIN 209.831.6000
FAX 209.831.6120
www.cityoftracy.org

August 26, 2025

League of California Cities (Cal Cities)
1400 K Street, Suite 400
Sacramento, CA 95814

Subject: Opposition to the Cal Cities City Managers Department Sales Tax Working Group's Proposed Recommendations to Change the Allocation of the Bradley-Burns 1% Sales Tax on E-Commerce Transactions

Dear Carolyn Coleman, Executive Director and CEO, and Cal Cities Board Members,

On behalf of the City of Tracy, I am writing to express our strong opposition to the Sales Tax Working Group's recommendation to change the allocation of the Bradley-Burns 1% sales tax by implementing a 50/50 split between point-of-sale and destination jurisdictions for e-commerce transactions.

This proposed change would significantly impact Tracy's fiscal stability and unfairly penalize cities that have responsibly planned, made long-term investments, and continue to bear the full burden of supporting California's logistics and e-commerce infrastructure.

Over the past decade, Tracy has proactively positioned itself as a regional logistics and distribution hub. Through strategic planning, infrastructure investment, and forward-thinking economic development policies, we have attracted major employers and helped solidify Tracy's role as a critical link in the state's supply chain. These efforts have created thousands of jobs and contributed substantially to both the local and regional economies.

These gains, however, have come with substantial costs. Tracy has invested hundreds of millions of dollars in public infrastructure—widening roads, constructing freeway interchanges, improving traffic flow, and expanding public safety services—to support the 24/7 operations of high-impact e-commerce facilities. These operations place ongoing and increasing strain on public works, emergency services, code enforcement, and law enforcement.

Under the current point-of-sale model, local sales tax revenue from these facilities helps offset these costs and supports core City services, including:

- Public safety services, such as increased police and paramedic staffing in high-traffic industrial areas, as well as specialized equipment like ladder trucks needed for industrial fire response;

August 26, 2025

Page 2 of 3

- Street repair and maintenance for roads subject to constant heavy truck traffic;
- Economic development efforts that attract and retain business investment and job creation;
- Traffic infrastructure and signal upgrades to ensure safety and mobility.

If the 50/50 revenue split is implemented, the City of Tracy stands to lose an estimated \$20–30 million annually—approximately 15% of our General Fund, based on FY 2025 projections. This level of revenue loss would necessitate serious cuts to essential services, particularly in public safety, infrastructure maintenance, and neighborhood programs.

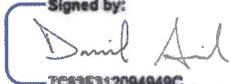
Equally concerning is the structural imbalance this proposal would create. Cities like Tracy, which directly absorb the impacts of logistics operations, would receive only half of the sales tax revenue they generate, while destination jurisdictions—who bear none of the related infrastructure or service costs—would receive an equal share. This is both inequitable and unsustainable, and it undermines the principles of fiscal responsibility, local control, and fairness in California’s local revenue system.

In addition, the proposal would retroactively penalize cities that have made major economic development investments based on the current tax structure. It sends a discouraging message to municipalities and the private sector alike, undermining long-term planning and disincentivizing future investment in logistics, infrastructure, and commerce.

For these reasons, we respectfully urge Cal Cities to reject the proposed 50/50 revenue split and instead pursue a more equitable solution—one that fully considers the financial responsibilities borne by point-of-sale jurisdictions and supports the long-term viability of communities that have helped drive the growth of California’s e-commerce economy.

The City of Tracy remains committed to working collaboratively on sustainable policy solutions and appreciates Cal Cities’ continued leadership in advocating for the interests of local governments across the state.

Sincerely,

Signed by:

 7C83F312094949C...
 Dan Arriola, Mayor
 City of Tracy

Cc:

- | | | | |
|------------------|-----------------------|-------------------|---------------------|
| City of Beaumont | City of Jurupa Valley | City of Richmond | City of Victorville |
| City of Carson | City of Lathrop | City of Riverside | City of Visalia |
| City of Chino | City of Manteca | City of San | County of San |

August 26, 2025

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	City of Moreno Valley	Bernardino	Bernardino
City of Corona	City of Ontario	City of San Diego	County of Riverside
City of Eastvale	City of Oxnard	City of Shafter	
City of Fontana	City of Patterson	City of Stockton	
City of Fresno	City of Perris	City of Turlock	
City of Hayward	City of Rancho Cucamonga	City of Vacaville	
City of Irvine	City of Redlands		
	City of Rialto		

Tracy City Council
Townsend Public Affairs

tracycitycouncil@cityoftracy.org
cshelby@townsendpa.com



September 3, 2025

League of California Cities (CalCities)

1400 K Street, Suite 400
Sacramento, CA 95814

RE: Nexus Study for the Proposed Bradley-Burns 1% Sales Tax

Dear CalCities Representatives,

On behalf of the City of Beaumont, we appreciate the role CalCities plays in representing the collective interests of California’s cities and advancing policies intended to strengthen local governance and fiscal stability. However, as you have requested local agencies to consider a proposed tax sharing arrangement, our City Council and staff must ensure that any such proposal is supported by data-driven analysis demonstrating its fiscal necessity, fairness, and long-term impact on municipalities.

The proposal, as currently presented, raises significant concerns for the City of Beaumont. Preliminary estimates indicate that the measure could result in an **annual loss of approximately \$9 million in sales tax revenue** for our City alone. This magnitude of revenue loss would have a direct and adverse impact on essential services such as public safety, infrastructure maintenance, and community programs, as well as our ability to invest in future economic development.

To responsibly evaluate the implications of this proposal, we respectfully request that CalCities prepare and provide a **comprehensive Nexus Study** prior to any formal consideration of the proposed tax sharing measure. This study should clearly articulate:

1. Financial Impacts:

- Detailed fiscal implications for cities of varying sizes and revenue compositions.
- Long-term projections illustrating how the proposed tax sharing would affect current and future city budgets.

2. Legal and Policy Basis:

- The statutory and constitutional framework under which such a tax-sharing arrangement would be implemented.



- Any precedent or comparative analysis from other states or jurisdictions.

3. Equity and Fairness Considerations:

- How the proposal equitably distributes revenues among jurisdictions with differing economic bases and public service demands.
- Potential unintended consequences for growing or disadvantaged communities.

4. Alternative Solutions:

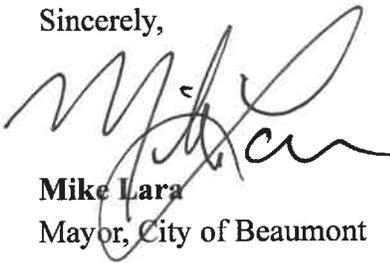
- Other mechanisms for addressing CalCities' concerns without compromising local control or fiscal autonomy (small revenue split or similar options).

As expressed in our prior correspondence, the City of Beaumont remains committed to collaborating with CalCities on solutions that uphold local fiscal stability while meeting statewide objectives. However, proceeding without a Nexus Study would limit the ability of our City Council to make an informed decision on behalf of our residents and businesses.

We look forward to receiving this analysis so that all parties can engage in transparent, data-supported discussions before any formal policy actions are considered.

Thank you for your attention to this matter and for your continued partnership.

Sincerely,



Mike Lara
Mayor, City of Beaumont

Cc:

Senator Ochoa Bogh
Assembly Member Wallis
Beaumont City Council
California Public Policy Group



CITY OF CARSON

June 17, 2025

League of California Cities (CalCities)
1400 K Street, Suite 400
Sacramento, CA 95814

Subject: Opposition to Proposed E-Commerce Sales Tax Changes (Bradley Burns Sales Tax Reform) - Protecting Carson's Financial Stability

Dear CalCities Board Members,

On behalf of the City of Carson, our City Council writes to express our strong opposition to the Sales Tax Working Group's proposed recommendations to alter the allocation of the Bradley-Burns 1% Sales Tax for e-commerce transactions.

The proposed 50/50 revenue split between the point-of-sale and destination cities would have a detrimental impact on Carson's fiscal stability and thus the quality of life of our residents. E-commerce accounted for roughly 11.5% of the total annual sales tax received by the City of Carson in 2024 and 2023. In a 50/50 split Carson will lose about \$1.9 million (6%) based on 2024 sales tax actuals and \$1.8 million (6%) based on 2023 sales tax actuals. For this reason, we are firmly opposed to the proposed 50/50 revenue split. Carson is home to vibrant, predominantly minority communities that have long shouldered the impacts of heavy industrial and logistical activity due to our proximity to the Ports of Los Angeles and Long Beach. The City of Carson is experiencing a renaissance and continues working toward becoming a destination City by harnessing control of our future and securing meaningful benefits for our residents. Losing a portion of our revenue would threaten those efforts by reducing the resources we rely on to improve quality of life for our residents and invest in our neighborhoods.

The City Manager's Sales Tax Group's recommendation came about during a time when e-commerce was thriving, which is no longer the case now. Due to the current volatile economic situation, many cities are experiencing a decrease in e-commerce sales tax revenues. Additionally, the City Manager's Sales Tax Group recommendation proposes a plus or minus of 10% to allow for flexibility that could apply to either the destination or host city. This is a large percentage of uncertainty as to where the additional plus or minus 10% could be allocated,

thereby possibly causing up to a 60% loss of e-commerce sales tax revenue to cities like us. This is a significant blow to our ability to fund public safety, street repair, economic development, and core city services.

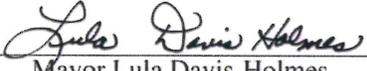
Carson is liable for the infrastructure that supports e-commerce operations, which includes roads, bridges, interchanges, traffic signals, high truck volumes, and commercial traffic. The maintenance costs, unlike the proposed 50/50 revenue split, would not be shifted to the "destination" cities. To shift tax revenue away from the point of sales while ignoring all maintenance costs is not only inequitable but fundamentally flawed. It is unjust that Carson along with other cities are now being asked to absorb the costs without the same revenue stream.

Furthermore, this change retroactively undermines the very incentive structure that encouraged cities to invest in job creation, infrastructure, and commerce. If these recommendations proceed, cities that acted responsibly and fostered economic growth will be punished for their foresight. This creates a chilling effect for future investment planning and sends a message that cities cannot rely on existing revenue frameworks when making long-term commitments to the community.

We along with several other cities strongly urge CalCities to reject this redistribution proposal and instead pursue policies that recognize the full financial responsibilities borne by point-of-sale cities. Any framework that ignores the cost of infrastructure maintenance while shifting revenue away is inherently inequitable and unsustainable.

We appreciate your ongoing advocacy and welcome the opportunity to work collaboratively on alternative solutions that uphold fiscal fairness and protect cities that have invested in California's economic engine.

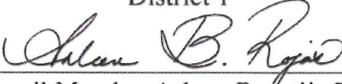
Sincerely,


Mayor Lula Davis-Holmes


Mayor Pro-Tem Cedric L. Hicks, Sr.
District 3


Council Member Jim Dear
District 2


Council Member Dr. Jawane Hilton
District 1


Council Member Arleen Bocatija Rojas
District 4

May 28, 2025

League of California Cities (CalCities)
1400 K Street, Suite 400
Sacramento, CA 95814

**Subject: Opposition to Proposed E-Commerce Sales Tax Changes
(Bradley Burns Sales Tax Reform)**

Dear CalCities Board Members,

On behalf of the City of Eastvale, we write to express our strong opposition to the Sales Tax Working Group's proposed recommendations to alter the allocation of the Bradley-Burns 1% Sales Tax for e-commerce transactions.

The proposed 50/50 revenue split between the point-of-sale and destination cities would have a significantly detrimental impact on Eastvale's fiscal sustainability. Eastvale incorporated in 2010 and by 2011 lost a significant revenue stream when the state redistributed Vehicle License Fee revenue to special state law enforcement, which the city was not eligible for. Additionally, Eastvale has faced considerable land use constraints and limited commercial space. As a result, Eastvale made significant strategic investments in logistics and e-commerce infrastructure, which has allowed us to diversify our revenue base and fund essential city services.

Eastvale does not have the same volume of traditional retail as other cities due to its master-planned residential nature and limited commercial footprint. We have leaned into long-term economic development planning, including attracting major fulfillment and distribution centers that now serve as vital revenue generators. These developments were pursued with the understanding that point-of-sale tax revenues would help us meet the growing demands of a city that has doubled in population since incorporation in 2010.

Eastvale has taken on the infrastructure burdens and public safety costs that come with hosting high-volume e-commerce facilities that are not shared by destination cities. To now divert existing revenue away from cities that carry these burdens, without a corresponding shift in maintenance responsibility is inequitable and unsustainable.

The City Manager's Sales Tax Group's recommendations come at a time when e-commerce growth is plateauing and we are already seeing signs of volatility and decline in this sector. A revenue-sharing formula that removes significant revenue from point-of-sale cities like Eastvale

threatens our ability to provide core services such as public safety, infrastructure maintenance, and community development. Based on fiscal year 2025 actuals, staff estimates the proposed shift would result in the loss of tens of millions in annual revenues. We rely on these revenues to provide vital services to the community, but to also maintain our roads, manage high truck traffic volumes, and provide adequate traffic control infrastructure necessitated by fulfillment operations. Calculating the precise impact is difficult because access to e-commerce purchase data specific to Eastvale is unavailable, which makes projecting the quality of Eastvale's fiscal health difficult. However, the City would be unable to maintain a structurally balanced budget with any loss of e-commerce revenue.

The proposal's allowance for an additional plus or minus 10% adjustment adds uncertainty and increases the potential for up to a 60% revenue loss. This degree of fiscal unpredictability is untenable for responsible, forward-planning cities like Eastvale, especially as we continue to build a stable foundation for future residents and businesses.

From incorporation in 2010, Eastvale has provided services from a small storefront located in a shopping center. In addition, our public library is located in a shared high school campus library, where hours of operation are limited by the school district. The nearest sheriff substation is located in a neighboring city over a half hour drive from the city. This lack of appropriate resources severely impacts our ability to serve our residents and businesses effectively. The city committed substantial resources towards construction of a Civic Center, which will include a City Hall, Library, and Police Station. Any reduction to e-commerce revenue will limit the city's ability to finance the project and provide vital services to the community.

All cities in California created revenue structures that were specific to local service needs required by the community. Cities that responsibly built and fostered economic growth should not be targeted for their foresight. We respectfully urge CalCities to reject the current redistribution proposal and instead advocate for solutions that equitably reflect the costs borne by point-of-sale cities. A sustainable and fair framework must account for the infrastructure obligations and economic investments that support California's e-commerce economy.

We appreciate your ongoing advocacy and welcome the opportunity to work collaboratively on alternative solutions that uphold fiscal fairness and protect cities that have invested in California's economic engine.

Sincerely,



Mike McMinn
Mayor
Salex Tax-Ad Hoc Committee Member



Jocelyn Yow
Mayor Pro Tem
Salex Tax-Ad Hoc Committee Member



Office of the Mayor

390 Towne Centre Drive, Lathrop, CA 95330
Phone (209) 941-7215 | Cellphone (209) 992-0025
Fax (209) 941-7229 | www.ci.lathrop.ca.us

April 22, 2025

League of California Cities (CalCities)
1400 K Street, Suite 400
Sacramento, CA 95814

Subject: Opposition to Proposed Sales Tax Sharing Changes - Protecting City of Lathrop's Financial Stability

Dear CalCities Board Members,

On behalf of the City of Lathrop, I write to express **Lathrop's strong opposition** to the Sales Tax Working Group's proposed recommendations to alter the allocation of the Bradley-Burns 1% Sales Tax for e-commerce transactions.

The proposed 50/50 revenue split between the point-of-sale and destination cities would have a significantly detrimental impact on Lathrop's fiscal stability. Our city has strategically invested in becoming a regional logistics hub, attracting distribution and fulfillment centers through responsible long-term planning. These decisions were made with a clear understanding that the resulting point-of-sale tax revenues would offset the considerable infrastructure burdens associated with this type of development.

The City of Lathrop is liable for the infrastructure that supports e-commerce operations—this includes roads, bridges, interchanges, traffic signals, high truck volumes, and commercial traffic. The maintenance costs, unlike the proposed 50/50 revenue split, would not be shifted to the “destination” cities. To shift tax revenue away from the point of sales while ignoring all maintenance costs is not only inequitable but fundamentally flawed. We planned responsibly for the growth based on the current tax framework, and we are now being asked to absorb the costs without the revenue stream we were promised.

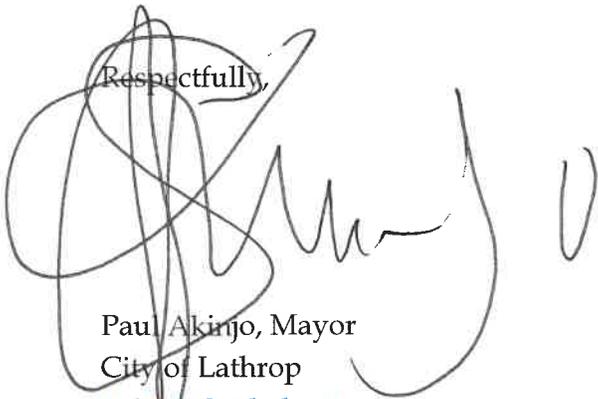
Based on FY 2024 actuals, we estimate a loss of approximately \$1.4 million annually should the 50/50 split be adopted. This would represent a significant setback to our ability to fund public safety, street repair, economic development, and essential city services. The phased implementation period, while appreciated, does not negate the long-term structural deficit this proposal would impose on cities like Lathrop.

Furthermore, this change retroactively undermines the very incentive structure that encouraged cities to invest in job creation, infrastructure, and commerce. If these recommendations proceed, cities that acted responsibly and fostered economic growth will be punished for their foresight. This creates a chilling effect on future investment planning and sends a message that cities cannot rely on existing revenue frameworks when making long-term commitments to the community.

Lathrop strongly urges CalCities to reject this redistribution proposal and instead pursue policies that recognize the full financial responsibilities borne by point-of-sale cities. Any framework that ignores the cost of infrastructure maintenance while shifting revenue away is inherently inequitable and unsustainable.

We appreciate your ongoing advocacy and welcome the opportunity to work collaboratively on alternative solutions that uphold fiscal fairness and protect cities that have invested in California's economic engine.

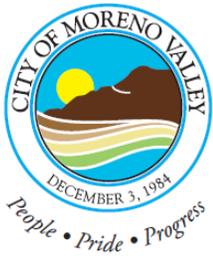
Respectfully,

A large, stylized handwritten signature in black ink, appearing to read 'Paul Akinjo', is written over the word 'Respectfully,'.

Paul Akinjo, Mayor
City of Lathrop
pakinjo@ci.lathrop.ca.us

CC:

- Marla Livengood, Regional Public Affairs Manager, Central Valley Division, CalCities



City Hall
14177 Frederick Street
P.O. Box 88005
Moreno Valley, CA 92552-0805
☎ 951.413.3008
☎ 951.413.3760
🌐 www.moval.org

June 10, 2025

League of California Cities (CalCities)

1400 K Street, Suite 400
Sacramento, CA 95814

Subject: Opposition to the Cal Cities City Managers Department Sales Tax Working Group's Proposed Recommendations to Change the Allocation of the Bradley-Burns 1% Sales Tax on E-Commerce Transactions - Protecting Moreno Valley's Financial Stability

Dear Carolyn Coleman (Executive Director and CEO) and CalCities Board Members,

On behalf of the City of Moreno Valley, I am writing to express our strong opposition to the Sales Tax Working Group's proposed recommendation to alter the Bradley-Burns 1% sales tax allocation by implementing a 50/50 revenue split between point-of-sale and destination jurisdictions for e-commerce transactions.

This proposed shift would severely undermine Moreno Valley's fiscal stability and penalize cities that have planned responsibly, invested strategically, and assumed the full burden of supporting the state's logistics and e-commerce economy.

Over the past decade, Moreno Valley has deliberately positioned itself as a regional logistics and distribution hub. Through thoughtful planning, infrastructure investment, and strong economic development policies, we have successfully attracted major employers, including Amazon, Skechers, Aldi, Harbor Freight, Deckers, Walgreens, Procter and Gamble, Ross, and Lowe's, each operating large-scale fulfillment and distribution centers in our city. These developments have transformed Moreno Valley into a critical link in California's supply chain, generating over 35,000 jobs and contributing significantly to local and regional economic growth.

However, these benefits have come with considerable costs. Moreno Valley has invested hundreds of millions of dollars in infrastructure improvements, widening roads, building freeway interchanges, enhancing traffic flow, and increasing public safety services to accommodate the heavy truck and employee traffic associated with e-commerce operations. Many of these facilities operate 24/7, placing ongoing strain on city resources including public works, fire protection, code enforcement, and policing.

The point-of-sale sales tax revenue generated by these centers has been a vital source of funding to help offset these burdens. Under the current tax structure, these revenues support millions of dollars of expenditures such as:

- Public safety services, including additional police officers and paramedic staffing in high-traffic industrial zones. Additionally, to appropriately safeguard our investments in industrial growth, it is imperative we invest in appropriate firefighting equipment such as the expensive ladder trucks.
- Street repair and maintenance, particularly for roadways affected by constant heavy truck traffic.
- Economic development initiatives that continue to attract businesses and create local employment.
- Traffic management and infrastructure improvements, including signal upgrades and intersection enhancements.

Should the proposed 50/50 split be enacted, Moreno Valley stands to lose approximately \$15 million annually, based on FY2024 data. This represents nearly 10% of our General Fund revenues, a reduction that would force the City to consider significant cuts to essential services, most notably in public safety, road maintenance, and neighborhood services.

The proposal also creates a structural imbalance: while point-of-sale cities like Moreno Valley continue to bear the full responsibility for the impacts of logistics operations, they would receive only half of the associated revenue, while destination cities, which bear none of the direct infrastructure or public safety costs, would receive an equal share of the sales tax. This is inequitable, unsustainable, and fundamentally undermines the integrity of California's local revenue framework as well as Cal Cities spirit of maintaining local control.

Furthermore, the proposal would retroactively penalize cities that made long-term investments in economic development based on the existing tax structure. It disincentivizes future investment in large-scale commerce and erodes the trust between cities and the State when it comes to financial planning and infrastructure partnerships.

We respectfully urge CalCities to reject this proposal and advocate for a more balanced and equitable approach, one that reflects the real costs born by point-of-sale cities and preserves the fiscal viability of those communities that have supported California's e-commerce economy.

We remain committed to collaborating on fair and sustainable policy solutions and appreciate your ongoing efforts to protect the interests of California's municipalities.

Sincerely,

A handwritten signature in blue ink, appearing to read 'U. Cabrera', with a horizontal line underneath.

Ulises Cabrera, Mayor

Cc:

City of Beaumont	City of Jurupa Valley	City of Richmond	City of Victorville
City of Carson	City of Lathrop	City of Riverside	City of Visalia
City of Chino	City of Manteca	City of San Bernardino	County of San Bernardino
City of Corona	City of Ontario	City of San Diego	County of Riverside
City of Eastvale	City of Oxnard	City of Shafter	
City of Fontana	City of Patterson	City of Stockton	
City of Fresno	City of Perris	City of Tracy	
City of Hayward	City of Rancho Cucamonga	City of Turlock	
City of Irvine	City of Redlands	City of Vacaville	
	City of Rialto		



PAUL S. LEON
MAYOR

SHEILA MAUTZ
CITY CLERK

ALAN D. WAPNER
MAYOR PRO TEM

JAMES R. MILHISER
CITY TREASURER

JIM W. BOWMAN
DEBRA PORADA
DAISY MACIAS
COUNCIL MEMBERS

May 21, 2025

SCOTT OCHOA
CITY MANAGER

CalCities
Revenue and Taxation Committee
1400 K Street, Suite 400
Sacramento, CA 95814

Subject: Opposition to E-Commerce Sales Tax Changes (Bradley Burns Sales Tax Reform)

Dear CalCities Committee Members,

On behalf of the Ontario City Council, I write to express our continued opposition to altering the allocation of the Bradley-Burns 1% Sales Tax for e-commerce transactions. The rules that exist today related to sales tax revenues are part of a larger policy discussion regarding local government funding and have evolved over decades. Indeed, sales tax rules and guidelines are a direct reflection of how we treat property taxes in this state under Prop 13, as well as the larger local government funding regimen (Props 218 and 26, especially). Any endeavor to change sales tax rules in a vacuum, when cities have customized their respective revenue streams pursuant to the existing rules, will create a distortion that is neither fair nor practical. Any retroactive change would undermine the very incentive structure that encouraged cities to invest in job creation, infrastructure, and commerce.

The City of Ontario currently feels the impact of traffic congestion, noise, truck storage, road wear and-tear, land use compatibility, and traffic safety/enforcement. Coupled with the impacts related to our airport's cargo operations, and two national freight lines, the price our community pays for the benefit of the greater region is indeed profound. Thousands of trucks traverse through our City each day as they support the national goods movement system. Recognizing

Ontario's role as a premier global gateway, we strive to provide a balanced quality of life for our residents. We support the continued education efforts of CalCities staff and stakeholders and believe this process should be allowed to be completed before any policy considerations are then discussed or considered for adoption. We welcome the opportunity to continue to work collaboratively on alternative solutions that uphold fiscal fairness and protect cities that have invested in California's economic engine.

Sincerely,

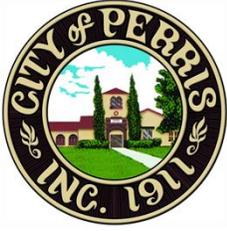
A handwritten signature in black ink, appearing to read 'S. Ochoa', written in a cursive style.

Scott Ochoa

City Manager

cc: CalCities Board

Ontario Legislative Delegation



CITY OF PERRIS
OFFICE OF THE MAYOR
MICHAEL M. VARGAS

May 21, 2025

League of California Cities (CalCities)

1400 K Street, Suite 400
Sacramento, CA 95814

Subject: Opposition to Proposed to E-Commerce Sales Tax Changes (Bradley Burns Sales Tax Reform) - Protecting Perris' Financial Stability

Dear CalCities Board Members,

On behalf of the City of Perris, I write to express our strong opposition to the Sales Tax Working Group's proposed recommendations to alter the allocation of the Bradley-Burns 1% Sales Tax for e-commerce transactions.

The proposed 50/50 revenue split between the point-of-sale and destination cities would have a significantly detrimental impact on Perris' fiscal stability. The City of Perris has spent years struggling to provide services to our residents due to the land use constraints that we have been faced with, through no fault of ours. We do not have the ability of developing large brick and mortar retail centers due to development intensity restrictions being located next to a military base. Our city has strategically invested in fulfillment centers through responsible long-term planning. These decisions were made with a clear understanding that the resulting point-of-sale tax revenues would offset the considerable infrastructure burdens associated with this type of development.

The City Manager's Sales Tax Group's recommendation came about during a time when e-commerce was thriving, which is no longer the case now. Due to the current volatile economic situation and tariffs, we are experiencing a decrease in e-commerce sales tax revenues to the point where one of our large fulfillment facilities has left the city. Based on FY2024 actuals, we estimate a loss of up to \$3 million per year should the 50/50 split be adopted. Additionally, the City Manager's Sales Tax Group recommendation proposes a plus or minus of 10% to allow for flexibility that could apply to either the destination or host city. This is a large percentage of uncertainty as to where the additional plus or minus 10% could be allocated, thereby possibly causing up to a 60% loss of e-commerce sales tax revenue to host cities like us. This is a significant blow to our ability to fund public safety, street repair, economic development, and core city services. The phased implementation period, while appreciated, does not negate the long-term structural deficit this proposal would impose on cities like Perris.

101 North "D" Street
Perris, California 92570
(951) 943-6100 Ext. 231

We are liable for the infrastructure that supports e-commerce operations, which includes roads, bridges, interchanges, traffic signals, high truck volumes, and commercial traffic. The maintenance costs, unlike the proposed 50/50 revenue split, would not be shifted to the "destination" cities. To shift tax revenue away from the point of sales while ignoring all maintenance costs is not only inequitable but fundamentally flawed. We planned responsibly for the growth based on the current tax framework, and we are now being asked to absorb the costs without the revenue stream we planned.

Furthermore, this change retroactively undermines the very incentive structure that encouraged cities to invest in job creation, infrastructure, and commerce. If these recommendations proceed, cities that acted responsibly and fostered economic growth will be punished for their foresight. This creates a chilling effect for future investment planning and sends a message that cities cannot rely on existing revenue frameworks when making long-term commitments to the community.

We strongly urge CalCities to reject this redistribution proposal and instead pursue policies that recognize the full financial responsibilities borne by point-of-sale cities. Any framework that ignores the cost of infrastructure maintenance while shifting revenue away is inherently inequitable and unsustainable.

We appreciate your ongoing advocacy and welcome the opportunity to work collaboratively on alternative solutions that uphold fiscal fairness and protect cities that have invested in California's economic engine.

Sincerely,



Michael M. Vargas
Mayor, City of Perris

Cc:

City of Carson	City of Manteca	City of Rialto	City of Vacaville
City of Chino	City of Moreno Valley	City of Richmond	City of Victorville
City of Corona	City of Lathrop	City of Riverside	City of Visalia
City of Eastvale	City of Ontario	City of San Bernardino	County of San Bernardino
City of Fontana	City of Oxnard	City of San Diego	County of Riverside
City of Fresno	City of Patterson	City of Shafter	City of Ontario
City of Hayward	City of Beaumont	City of Stockton	City of Cupertino
City of Irvine	City of Tracy	City of San Jacinto	
City of Jurupa Valley	City of Redlands	City of Turlock	
City of Cupertino	City of Baldwin Park		