



Summary:

This bill would require online retailers to report to the state taxable sales by the city or ZIP code of the purchaser.

Background:

The Bradley-Burns Uniform Local Sales and Use Tax Law imposes tax on the retail sale of merchandise or goods within the state. The State collects the Bradley-Burns tax on behalf of cities and counties, and distributes the revenue to those local governments.

The Bradley-Burns tax rate is 1.25 percent. Of this, 1 percent is allocated to counties or incorporated cities *to use at their discretion*, with the remaining 0.25 percent to support local transportation programs.

Issue:

Brick-and-mortar retailers are required to allocate tax revenue based on the point-of-sale. Yet online retailers have the ability to allocate this revenue to warehouses, distribution centers, or sales offices of their choice instead of the final destination of a package.

This allows a corporation to direct all of the sales tax it collects from online sales statewide to a single jurisdiction. In exchange, that jurisdiction will share a portion of that revenue – often half or more – with the retailer.¹ This is money that otherwise would have gone to the city in which the purchaser resides.

California cities are sending an estimated \$1 billion in taxpayer dollars to giant corporations each year.² These deals, and the revenue losses that result, are an even bigger problem now that the Covid-19 pandemic has accelerated the shift from brick and mortar sales to online transactions.

Yet, there is no transparency and accountability for which cities and corporations have these agreements, and the amount of money other jurisdictions are losing in the aggregate.

Existing Law:

Current law allows online retailers to allocate Bradley-Burns Sales Tax to the location of warehouses, distribution centers, or sales offices.

Further, current law allows counties and cities to use the Bradley-Burns tax allocated to them at their discretion, including rebating that revenue back to private corporations that collect it from purchasers.

Proposal:

This bill would require online retailers with annual sales of more than \$1,000,000 to report to the Department of Tax and Fee Administration the city or ZIP code where the purchaser resides for any sale in the state that is transacted online

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¹http://www.californiacityfinance.com/SalesTaxSourcing18021_5.pdf

²<http://www.californiacityfinance.com/SalesTaxSourcing180215.pdf>