

Support Material Agenda Item No. 1

City/County Manager's Technical Advisory Committee Meeting

**June 3, 2021
10:00 AM**

MEETING ACCESSIBLE VIA ZOOM AT: <https://gosbcta.zoom.us/j/94635740705>

Teleconference

Dial: 1-669-900-6833
Meeting ID: 946 3574 0705

Discussion Items

Council of Governments

1. Sales Tax Trends and Changes – Bobby Young, HdL Companies

Receive a presentation on the review of trends in sales tax collections and potential changes related to Amazon and the countywide pool.

Attachment No. 1 to Agenda Item No. 1, HdL Companies presentation on Sales Tax Trends and Changes, was made available after the agenda was published.

Attachment No. 1 to Agenda Item No. 1 - HdL Presentation Handout



San Bernardino County Transportation Authority
City/County Manager's Technical Advisory Committee
Sales Tax Trends & Latest Issues Update

June 3, 2021


HdL Companies



Bobby Young

Mr. Young has over 20 years of local government experience. Prior to joining HdL, he served the City of Costa Mesa for 13 years, the last 5 as Finance Director. He has also spent time as an external auditor of government and non-profit entities specializing in assessment and documentation of internal controls and annual review and preparation of client's Comprehensive Annual Financial Report (CAFR). He's been an active member in municipal affairs with both the Government Finance Officers Association (GFOA) and California Society of Municipal Finance Officers (CSMFO), and holds a Bachelor's degree from California State University, Fullerton in Accounting.

HdL Companies



ABOUT HDL COMPANIES

Founded in 1983 by two former City Managers

190 employees


CA offices in Brea, San Dimas, Fresno & Pleasanton

Serving over 400 local governments in California

100% Employee-owned – everyone has a stake

PROUD
TO HAVE SERVED
LOCAL GOVERNMENTS
AND
SPECIAL DISTRICTS
FOR OVER
37 YEARS

100%
EMPLOYEE
OWNED



- Clients include cities, counties, and special districts
- 99% client retention rate
- Services:
 - *Sales Tax & Transaction Use Tax*
 - *Property Tax*
 - *Economic Development*
 - *Cannabis Management*
 - *Tax and Fee Administration*
 - *Business License*
 - *TOT & Short-term Rental*
 - *Utility User & Franchise Fee Tax*

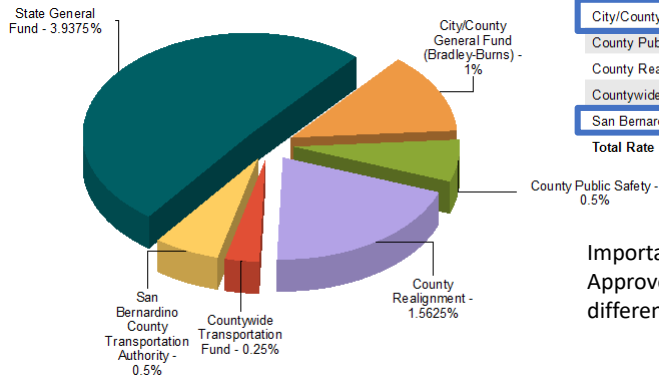
ABOUT HdL Companies





SALES TAX RATE BREAKDOWN

BREAKDOWN OF 7.75% BASE SALES AND USE TAX RATE



State General Fund	3.9375%
City/County General Fund (Bradley-Burns)	1.0000%
County Public Safety (Prop 172)	0.5000%
County Realignment (Mental Health/Welfare/Public Safety)	1.5625%
Countywide Transportation Fund	0.2500%
San Bernardino County Transportation Authority (SBER)	0.5000%
Total Rate	7.7500%

Important Reminder: Local Bradley-Burns 1% and Voter Approved Transactions & Use Tax (like Measure I) are allocated differently because of Revenue & Taxation law.



5



STATEWIDE 13 QUARTER TREND

Sales Tax by Major Industry Group

State & County Pools

General Consumer Goods
Count: 570,682

Autos And Transportation
Count: 85,518

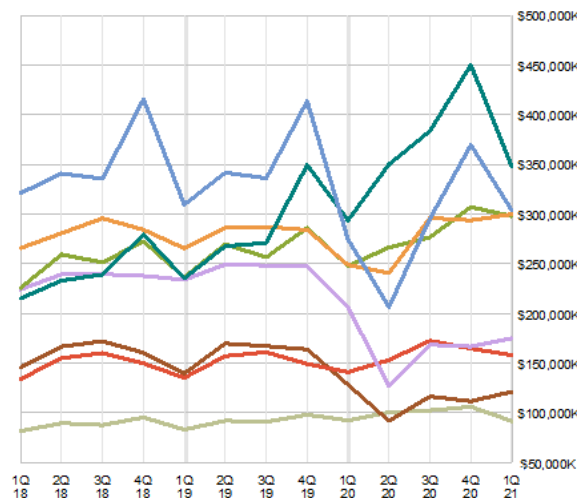
Business And Industry
Count: 376,480

Restaurants And Hotels
Count: 134,967

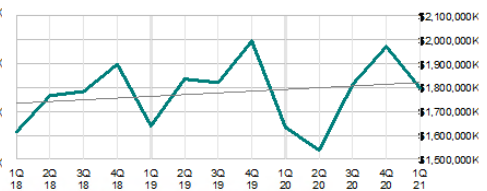
Building And Construction
Count: 39,805

Fuel And Service Stations
Count: 14,729

Food And Drugs
Count: 44,996



BRADLEY-BURNS SALES AND USE TAX



6



FEDERAL ECONOMIC RESPONSE

Multiple stimulus and relief packages to sustain/maintain the economy

- Families First Coronavirus Response Act (FFCRA) – March 2020
- CARES Act – with Payroll Protection Program (PPP) – March 2020
- \$900 billion attached to the Omnibus Budget Bill – December 2020
- American Rescue Plan Act (ARPA) – March 2021



TRICKLE DOWN EFFECT

- #1 = Additional \$600/week unemployment payments, later extended but reduced to \$400/week
- #2 = \$1,200/per person, \$500/child cash payments
- #3 = Mortgage forbearance for 6+ months
- #4 = Additional \$600/per person
- #5 = Additional \$1,400/per person in the ARPA being distributed – no data yet





NOT THE SAME EVERYWHERE

County	2Q20	3Q20	4Q20	1Q21*
San Bernardino	-8%	+8%	+7%	+24%
Riverside	-7%	+8%	+5%	+23%
Los Angeles	-22%	-4%	-7%	+3%
Orange	-19%	-2%	-2%	+8%
Statewide	-16%	-1%	-1%	+10%

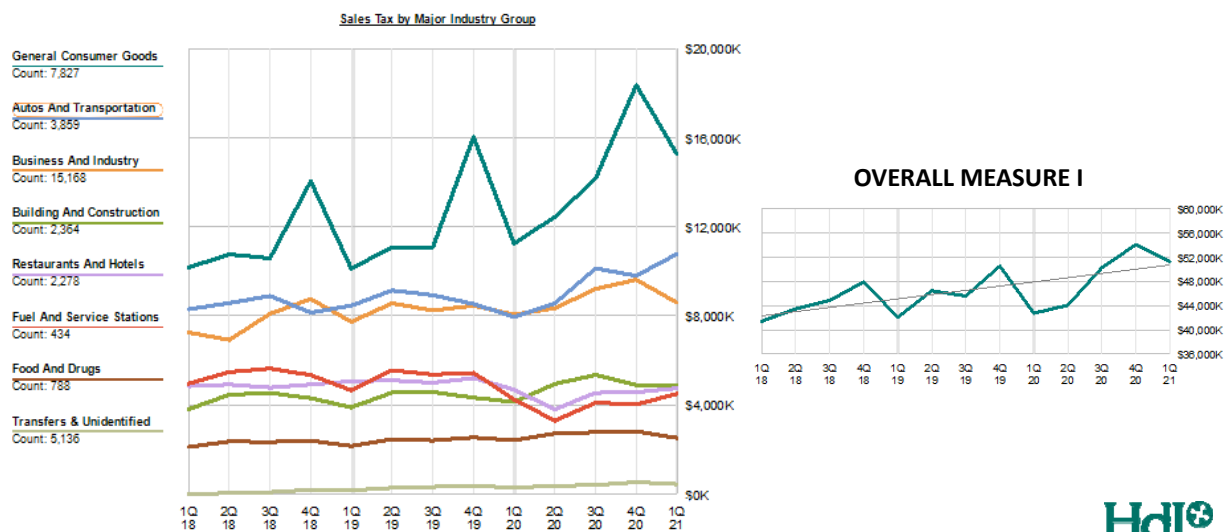
* - 1Q (Jan-Feb-Mar) sales period now compares to prior year when pandemic & shelter-in-place began



9



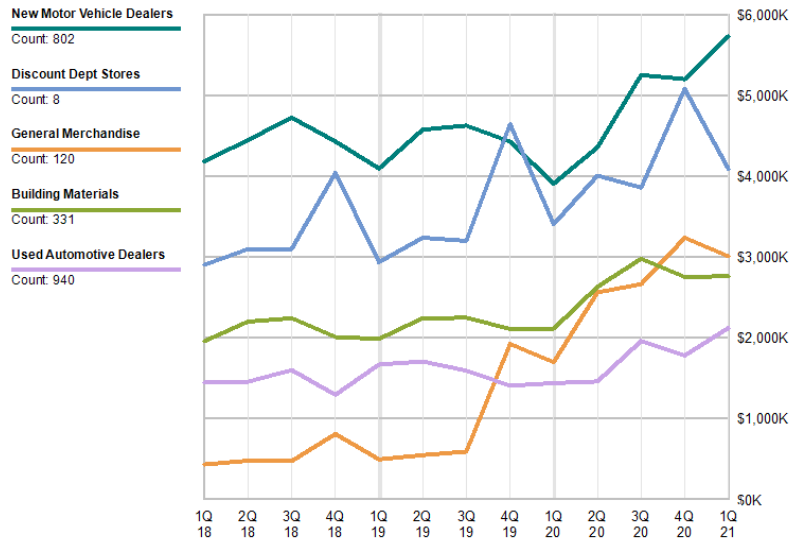
SBCTA MEASURE I - 13 QUARTER TREND



10



MEASURE I – TOP BUSINESS TYPES 13 QUARTER TREND



Point of Interest

General Merchandise includes mostly online retailers, which has been enhanced with the enactment of AB 147 (regulations of out-of-state 'OOS' online retailers) which began April 1 2019 (2Q19)

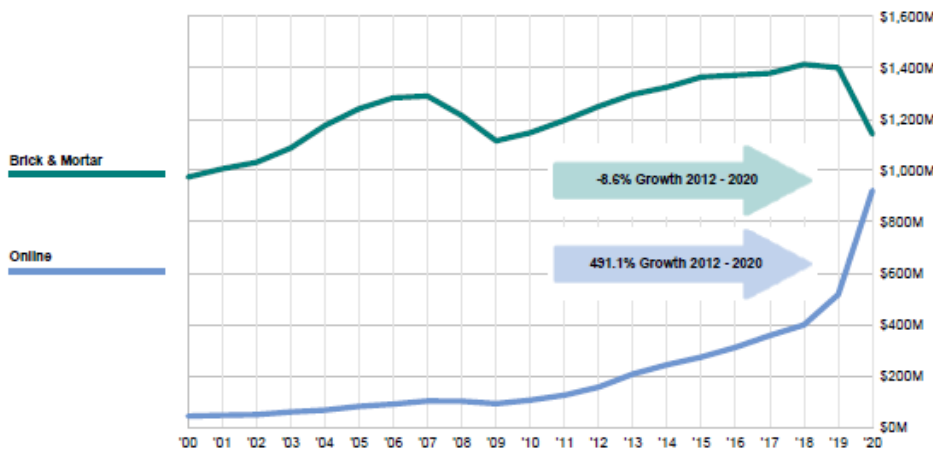


11



BRICK & MORTAR VS ONLINE COMPARISON

Local 1% Sales Tax by Calendar Year



Online = Fulfillment Centers and Countywide Use Tax Pool Allocations

Points of Interest

SEPT 2012 – AB 155
OOS Retailers

APR 2019 – AB 147
OOS Online Retailers

OCT 2019 – AB 147
w/Marketplace Facilitators

MAR 2020 – Pandemic &
Shelter-In-Place



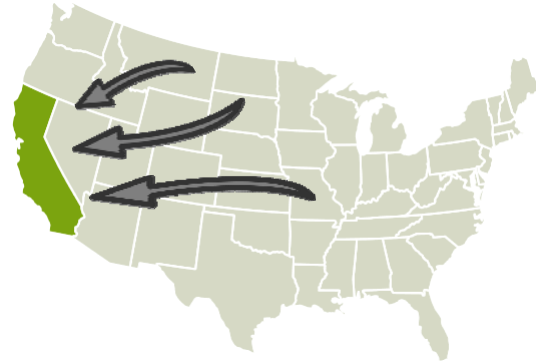
12



SALES TAX VS USE TAX – BRADLEY-BURNS

Sales Tax applies when the goods are located in California at the time the sales occur. This includes a stock of goods held in a California warehouse, fulfillment center or retail stores.

Use Tax applies when title to the goods passes to the purchaser at a point outside of California. Goods that ship to a customer from outside the state are generally subject to use tax.



ALLOCATION OF BRADLEY-BURNS TAX

Sales Tax

- **PLACE OF SALE** (where the sale/order was placed or negotiated)
- Allocated directly to local jurisdiction
- If an out of state retailer does not have a permanent place of business in this state other than a stock of tangible personal property, then local tax will be distributed to the jurisdiction **where the inventory is located at the time of sale**

Use Tax

- **PLACE OF USE**
- Allocated indirectly through the countywide use tax pool system
- There are certain circumstances where local (1%) use tax can be allocated directly.





AMAZON – BRADLEY-BURNS ALLOCATIONS

Historical Structure

- Out-of-state
- Warehouses in CA were owned and operated by a 3rd party
- Taxable goods “drop-shipped” to customers
- Local tax allocated to countywide use tax pool based on where the goods were shipped/**place of use**

Per Regulation 1699 Amazon was not required to hold a seller's permit for the 3rd party warehouses where they did not own inventory, therefore Amazon remained an out-of-state company and local tax was entirely allocated indirectly through the pools where goods were shipped.

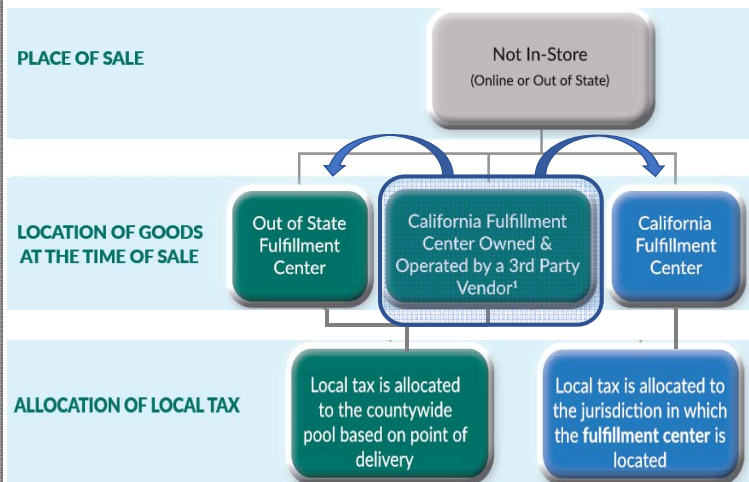
New Structure

- In-state & out-of-state
- Warehouses in CA owned and operated by Amazon
- Goods inventoried in CA are subject to sales tax
- Local tax allocated directly based on **place of sale** and indirectly based on **place of use**
- Change retroactive to **4Q20**



Local Tax (Bradley-Burns) Allocation Guidelines

When sales tax
applies



Amazon change retroactive to 4Q20





LOCAL TRANSPORTATION FUNDING (LTF) ALSO IMPACTED BY AMAZON CHANGE

State General Fund	3.9375 %
City/County General Fund (Bradley-Burns)	1.0000 %
County Public Safety (Prop 172)	0.5000 %
County Realignment (Mental Health/Welfare/Public Safety)	1.5625 %
Countywide Transportation Fund	0.2500 %
San Bernardino County Transportation Authority (SBER)	0.5000 %
Total Rate	7.7500 %

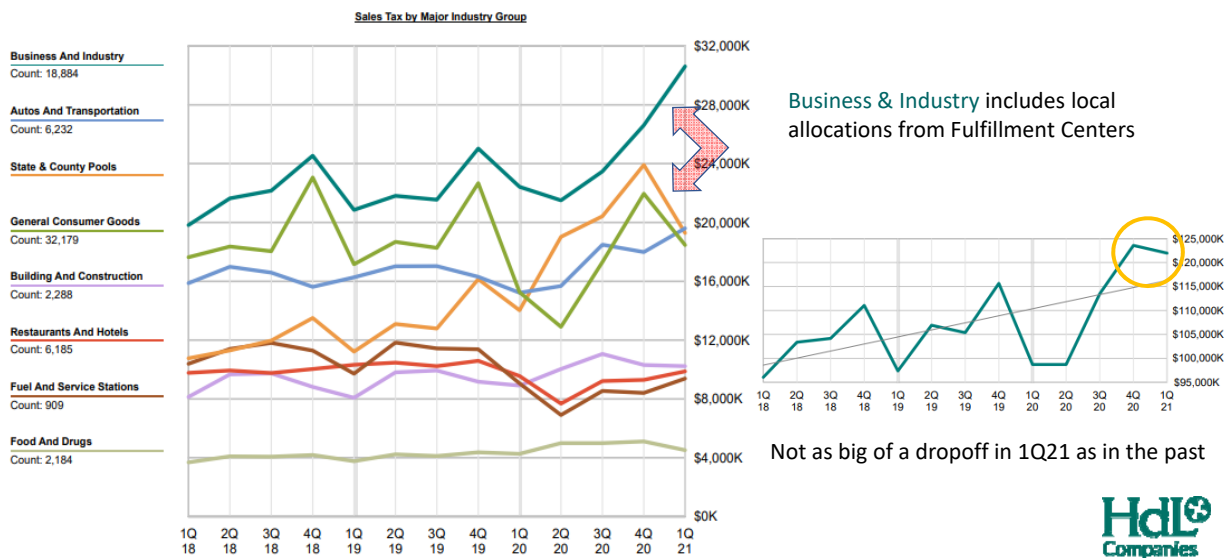
- Allocations based on how/where Bradley-Burns 1% is allocated
- San Bernardino County LTF also administered by **SBCTA**



17



SAN BERNARDINO COUNTY - ALL AGENCIES 13 QUARTER TREND



18



FINAL THOUGHTS

- Covid-19 Pandemic and Shelter-In-Place Directive have impacted the entire State
- Federal Government has pumped trillions into our economy
- Inland Empire has faired much better than the rest of So Cal
- Amazon change is changing local Bradley-Burns allocations and LTF – not Measure I
- Inland Empire will benefit more from Amazon change than others

