

Monterey County

Transaction Taxes 101

May 7, 2024

HdL[®] Companies





Transaction & Use (aka District Tax) Tax History





Transaction and Use Tax History

- **1968** – Legislature preempts local governments from independent sales tax levies
(R&T 7203.5 footnote)
- **1969** - Counties authorized to go to Voters for Transactions and Use Tax Overrides
- **2004** - Cities authorized to seek voter approval for transactions tax overrides

Transaction and Use Tax
District Tax
Add-on Tax



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



General vs Specific Tax - GENERAL

Rev & Tax Code 7285 (County) & 7285.9 (City)

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



General vs Specific Tax - SPECIFIC

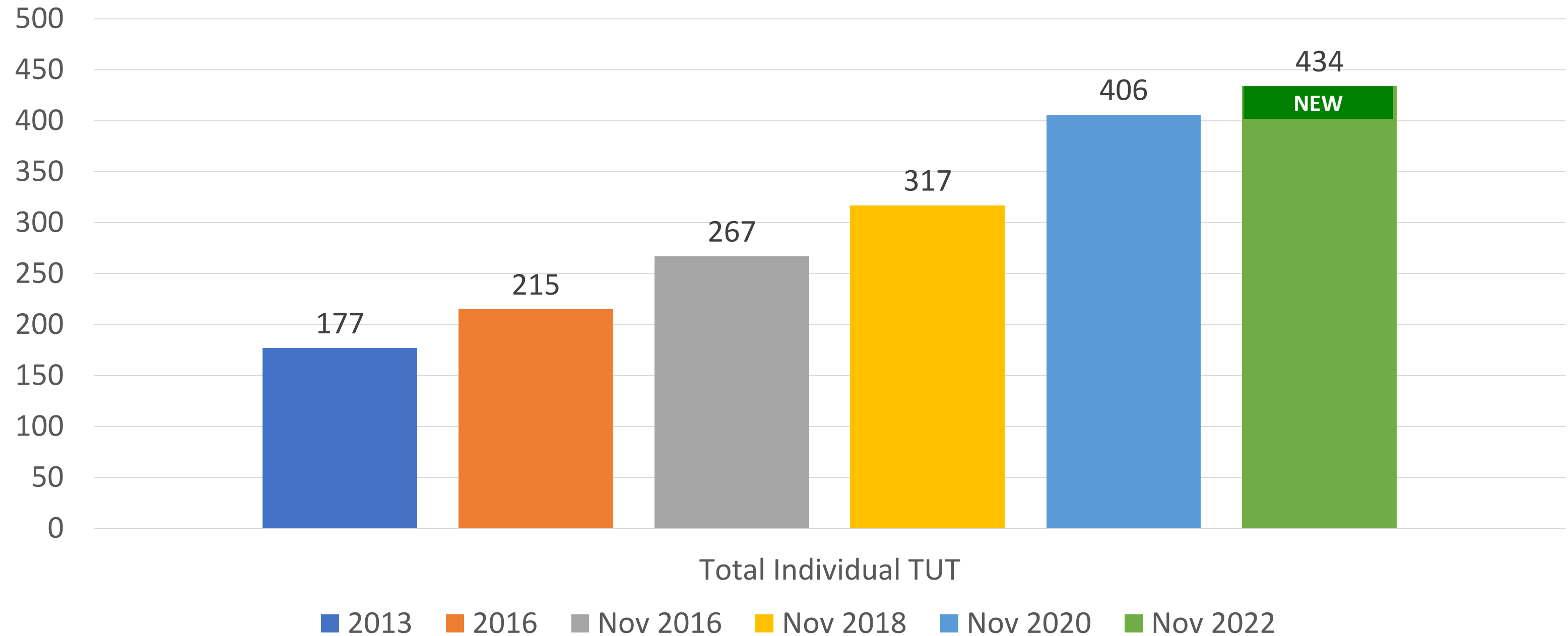
Rev & Tax Code 7285.5 (County) & 7285.91 (City)

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

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



Number of TUT Districts are Increasing



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



Where in CA...



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

HOW DO “ADD ON” TAXES EFFECT BUYING?

- Less impact, already in many communities
- Consumers focus on base cost
- Hassle factor
- Alternative purchase options



FUNCTIONAL DIFFERENCES TO BRADLEY-BURNS ALL OTHER RETAILERS





Functional Differences To Bradley-Burns

**REGISTERED
VEHICLES,
VESSELS,
AIRCRAFT**

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

Example:

1. Buyer lives in non-TUT jurisdiction with total sales tax rate of 7.25%, purchases a vehicle from a car dealer in a city that has a total sales tax rate of 9.25%.

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



Functional Differences To Bradley-Burns

**REGISTERED
VEHICLES,
VESSELS,
AIRCRAFT**

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

Example:

2. Buyer lives in a jurisdiction with TUT - total sales tax rate of 9.25% (assume 0.75% Local TUT), purchases a vehicle from a car dealer in a city that has a total sales tax rate of 7.25%

Buyer will pay 9.25% sales tax to car dealer. Local 1% Bradley-Burns tax will be allocated to city where car dealer is located. 0.75% TUT will be remitted to jurisdiction where Buyer lives. All other taxes remitted to applicable agencies.



Building Supplies, Equipment and Bulk Fuel

**DELIVERIES INTO
COUNTY**

TUT tax collected



COUNTY WITH LOCAL TUT

**DELIVERIES OUT OF
COUNTY**

TUT tax NOT collected





Online Sales... Easier to Explain

Transaction and Use Tax follows the goods to consumer/where goods are delivered, *no matter where they come from*

Assembly Bill 147 – Regulations on Out-of-State Online Retailers requiring them to collect and remit sales & use tax from all transactions.

- ✓ **California's implementation of Supreme Court's decision in *South Dakota v. Wayfair***
- ✓ **Effective October 1, 2019**
- ✓ **While many large internet retailers were already collecting, still a dramatic impact for agencies**



Estimating a 1% Tax for the Unincorporated Area



The Calculated Value

TAMC's Measure X is a countywide .375% TUT

The estimate for FY 25/26 was converted to a 1% rate equivalent

This provided a total of \$106MM

All cities in Monterey County have TUTs and their estimate for FY 25/26 was converted to a 1% rate where needed

The value derived in each city represents their contribution toward Measure X since the basis for the taxes are the same



The Calculated Value

The result showed that the unincorporated area generates the equivalent of \$29.2MM

TAMC Measure X @ 1% equivalent	\$106,000,000
	0
	(\$76,800,000)
Value generated by cities	<hr/>
Remainder from unincorporated area	\$29,200,000



How Much of an Increase is Allowed?

The unincorporated sales tax rate of 7.75% allows an increase of up to 1.5% to the tax base.

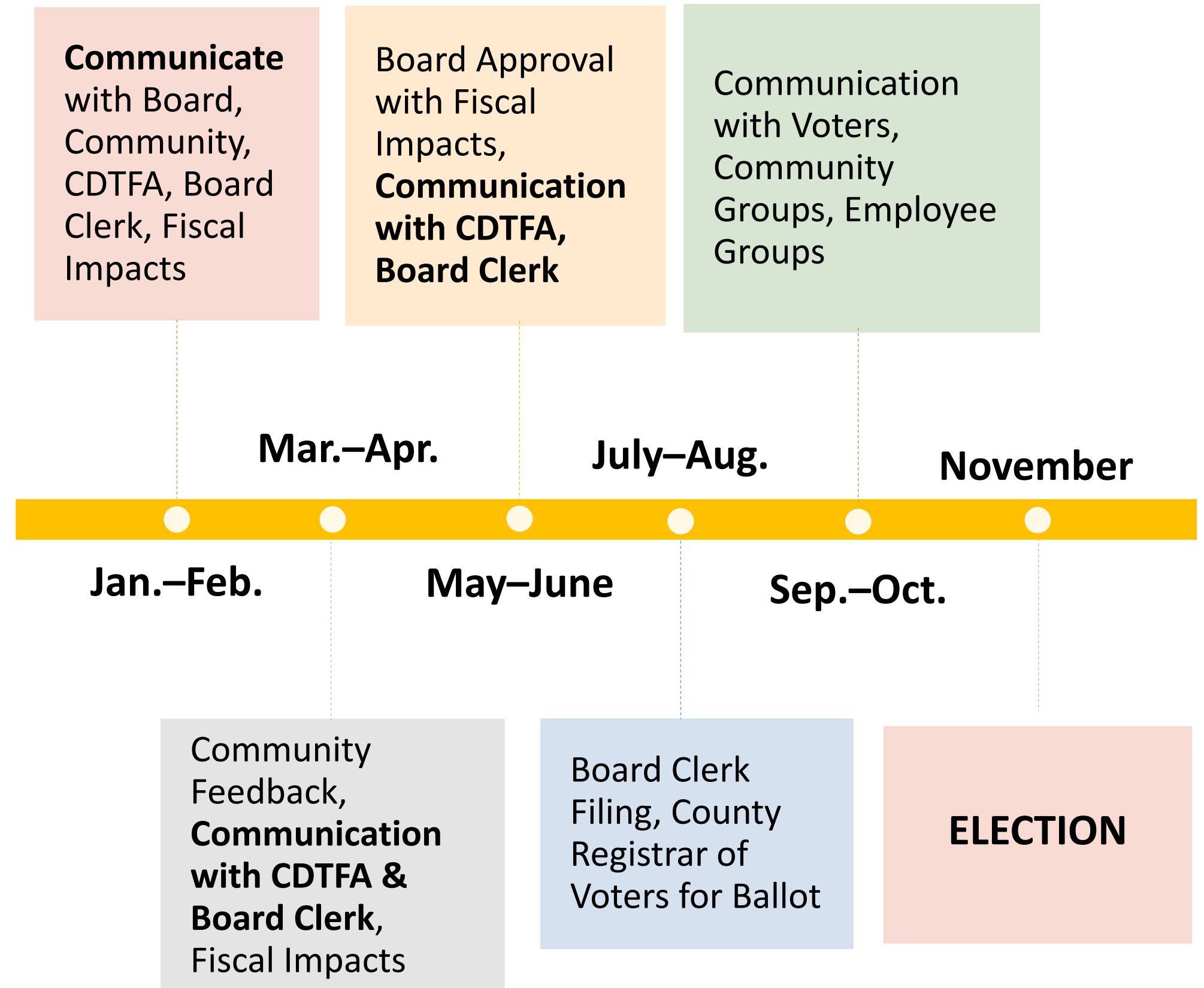


TRANSACTION & USE TAX

POSSIBLE NEW MEASURE



EXAMPLE CALENDAR OF EVENTS





SUCCESS !?!?!?

Approved tax measure will go into effect the first calendar quarter
110 days after the adoption of the ordinance

- November 2024 approval
- April 1, 2025 effective date
- First monthly advances begin June 2025 –
first full year FY 25-26

