

Transaction & Use Tax Presentation and Estimate

City of Hermosa Beach
City Council Study
Session

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HdL  Companies



Bobby Young

Client Services Director – Sales Tax

Mr. Young has over 25 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.



About HdL

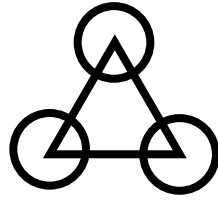
**PROUD
TO SERVE**

CITIES, COUNTIES &
SPECIAL DISTRICTS
FOR

37+ YEARS

100%

**EMPLOYEE
OWNED**



TRIFECTA

Superior service
Increased revenue
Decreased costs



COMPLIANCE

HdL helps clients reduce risk
by keeping current with
ever-changing legislation



RESULTS

Average city growth
rates are ~3%,
HdL clients are 2x that!

500+

Municipal
Clients

\$3billion+

Recovered
revenue

99.6%

Avg. Client
Retention

TRANSACTION AND USE TAX (TUT)

Transaction and Use Tax

District Tax

Add-on Tax



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

7261(a) A provision imposing a tax for the privilege of selling tangible personal property at retail upon every retailer in the district at a rate of one-eighth of 1 percent, or a multiple thereof, of the gross receipts of the retailer from the sale of all tangible personal property sold by that person at retail in the district.

GENERAL VS SPECIFIC TAX - General

7285.9 - The governing body of any 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

7285.91 - ...for the purpose for which it is established,

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

TRANSACTION & USE TAXES INFO

- Additional Local Taxes – Rev & Tax Code 7280-7298
- Rev & Tax Code 7270 - Administration

The district is required to contract with the **CDTFA** (California Department of Taxes and Fees Administration) to perform all functions in the administration and operation of the ordinance imposing the tax.

TRANSACTION & USE TAXES INFO

Rev & Tax Code 7251.1

The combined rate of all taxes imposed in accordance with this part in any county may not exceed 2 percent (above the base sales tax rate), except...



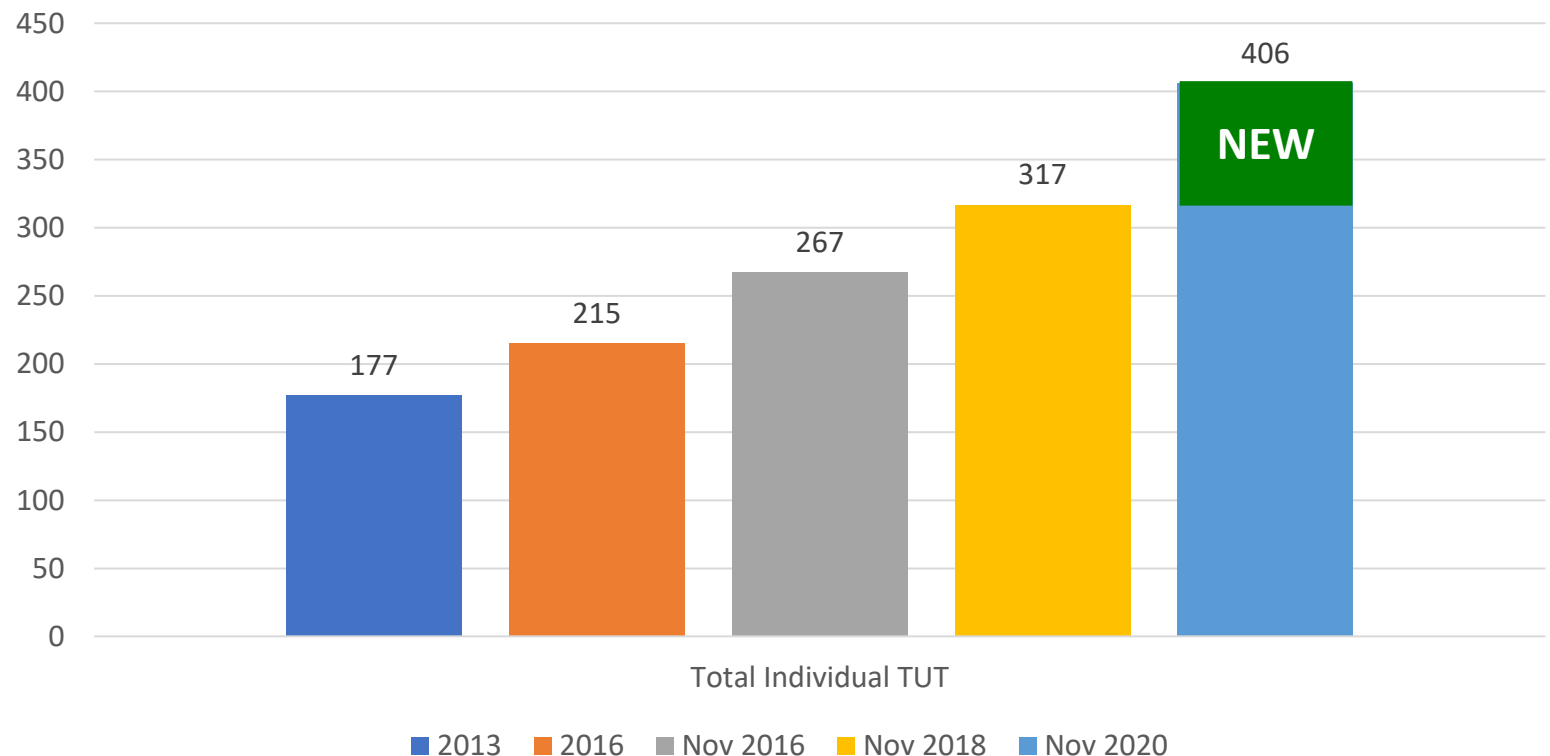
CITY OF HERMOSA BEACH

Breakdown of 9.5% Sales Tax Rate Effective October 1, 2017

State General Fund	3.9375 %	
City/County General Fund (Bradley-Burns)	1.0000 %	→ Current Sales Tax received
County Public Safety (Prop 172)	0.5000 %	
County Realignment (Mental Health/Welfare/Public Safety)	1.5625 %	
Countywide Transportation Fund	0.2500 %	
Los Angeles County Transportation Commission (LACT)	0.5000 %	→ TUT increasing cap = 1%
Los Angeles County Transportation Commission (LATC)	0.5000 %	
Los Angeles County Metro Transportation Authority (LAMT)	0.5000 %	
Los Angeles County Traffic Improvement Plan (LAMA)	0.5000 %	→ TUT applied against cap = 1.25%
Los Angeles County Homeless Services Tax (LACH)	0.2500 %	
Total Rate	9.5000 %	

↓
Leaves 0.75% available
for local TUT

NUMBER OF TUT DISTRICTS ARE INCREASING



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



WHO AND WHERE?

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

L.A. COUNTY LOCAL TUTs

- 56 Cities/Agencies have TUTs – including countywide measures
- 10 effective April 1, 2021 as a result of the Nov 2020 election cycle

Hawthorne 0.75% (4/18)

Lawndale 0.75% (4/19)

Gardena 0.75% (7/20)

Carson 0.75% (7/21)

Lomita 0.75% (4/21)

Long Beach 1.00% (1/17)

Inglewood 0.50% (4/07)

Santa Monica 1.00% (4/17)

Culver City 0.75% (4/13)

Pasadena 0.75% (4/19)

Glendale 0.75% (4/19)

Burbank 0.75% (4/19)



FUNCTIONAL DIFFERENCES TO BRADLEY-BURNS ALL OTHER RETAILERS



**FUNCTIONAL
DIFFERENCES TO
BRADLEY-BURNS
VEHICLES,
VESSELS,
AIRCRAFT**

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

Example:

1. Buyer lives in non-TUT city with total sales tax rate of 9.5%, purchases a vehicle from a car dealer in a city that has a total sales tax rate of 10.25%.

Buyer will only pay 9.5% 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**
*VEHICLES,
VESSELS,
AIRCRAFT*

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

Example:

2. Buyer lives in a city with TUT - total sales tax rate of 10.25% (assume 0.75% TUT), purchases a vehicle from a car dealer in a city that has a total sales tax rate of 9.5%

Buyer will pay 10.25% 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 City where Buyer lives.

FUNCTIONAL DIFFERENCES TO BRADLEY-BURNS

BUILDING SUPPLIES, EQUIPMENT AND BULK FUEL

DELIVERIES INTO CITY

TUT tax collected



CITY WITH TUT

DELIVERIES OUT OF CITY

TUT tax NOT collected



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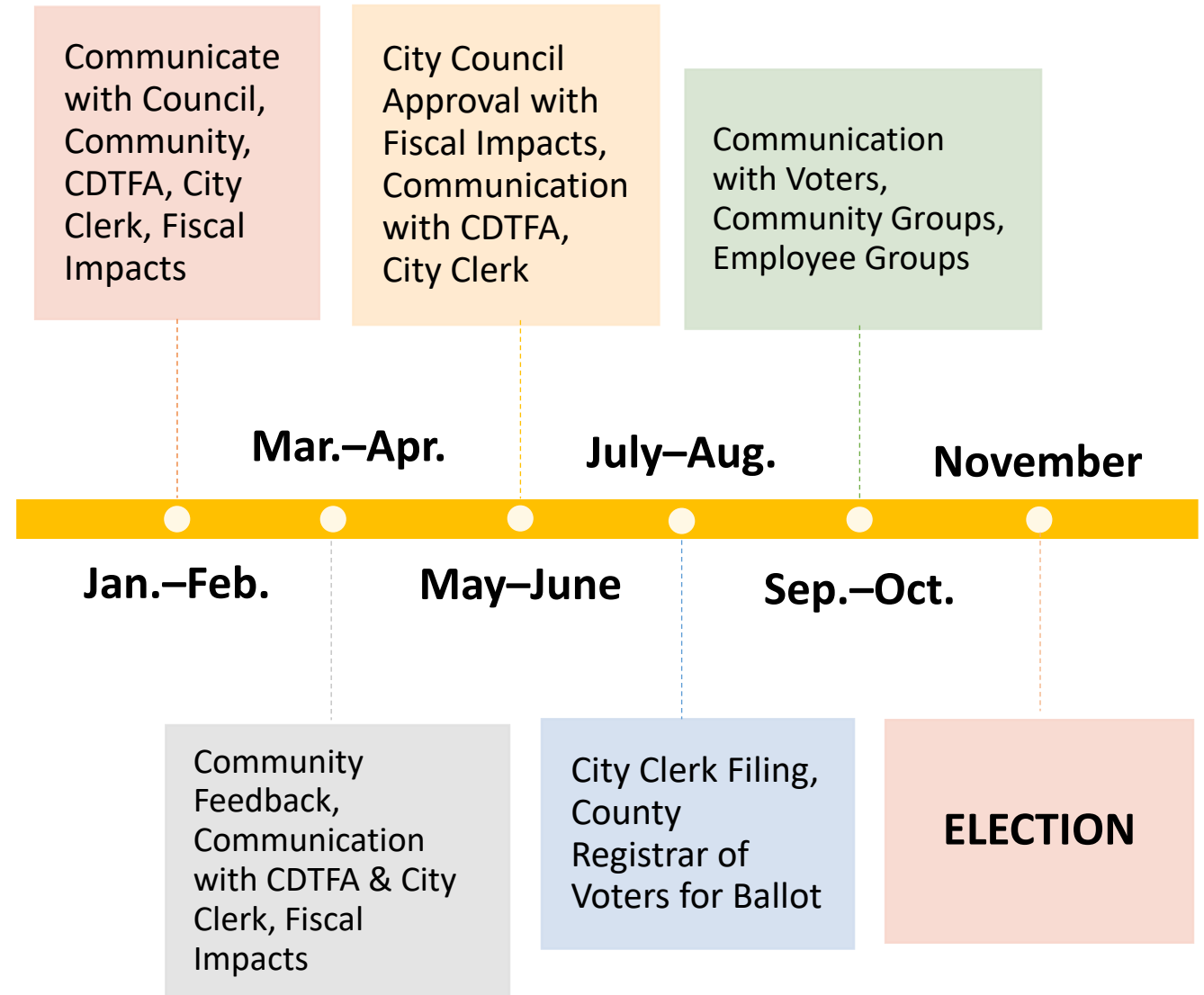
HOW DO “ADD ON” TAXES EFFECT BUYING?

- There is an impact, but too small to measure
- Consumers focus on base cost
- Hassle factor
- Alternative purchase options

**HERMOSA
BEACH
0.75%
TUT ESTIMATE**

Autos/Transportation	\$ 570,000
Building/Construction	210,000
Business/Industry	315,000
Food/Drugs	315,000
Fuel/Service Stations	110,000
General Consumer Goods	675,000
Restaurants	830,000
Administration Fee	<u>(25,000)</u>
Total	<u><u>\$ 3,000,000</u></u>

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 2022 approval
 - April 1, 2023 effective date
 - First monthly advances begin June 2023 – first full year FY 23-24



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Brea | Fresno | Pleasanton

Thank you!