

Southern California Association of Governments

Sub-Committee on Fiscalization of Land Use

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DRAFT PROPOSALS UNDER CONSIDERATION

PPC / Prospective Per-Capita Sales Tax: 1) Cities / counties keep current situs sales tax base from existing businesses; 2) Future sales tax growth from new businesses pooled and allocated on a per-capita basis.

Pros: Gradual approach to sales tax equalization; no winner or loser cities.
Ends competition for sales taxes among cities, since all new business revenues are pooled.
Promotes balanced land use in new developments.
Eliminates any incentive to use public subsidies for big boxes / auto dealers.

Cons: Does nothing to directly incentive new housing.
Gray area between “existing business” (situs) and “new business” (pooled) sales tax revenue.

R & B / Reduce & Broaden Sales Tax: 1) Statewide base sales tax reduced from 6 ¾ % to 3%;
2) Sales tax expanded to cover all goods and services.

Pros: Simplifies sales taxes--no more discriminating between taxable & non-taxable transactions.
Decreases price of goods—stimulates consumer spending.
Ends pro-retail land use bias, as cities now receive revenue for professional services.
Incentivizes more balanced land use / zoning.

Cons: Increases price of services.
Accounting & collection issues from previous non-taxed service providers.
Challenge to calculate new tax rate to achieve revenue neutrality (3% current estimate).
Reducing other add-on (transportation, public safety, etc.) sales taxes would complicate formula.

FRESH / Fiscal Reform: Equity, Stability, Harmony: 1) Cities / counties give up sales tax revenue (1% of gross) to state general fund; 2) Cities/counties are kept whole by receiving increased property tax allocation to cover the loss in sales taxes; 3) Subsequent property tax allocation is permanently increased to reflect new amount. Note: This would work on a voluntary or mandatory basis.

Pros: Stabilizes local revenue; property tax revenues are more stable than sales taxes.
Incentivizes housing; cities / counties share of property tax increases.
Ends subsidies to retail, and sales tax competition.
More balanced land uses / zoning.

Cons: A mandatory loss of sales tax / property tax swap might meet resistance from some cities.