
THIRD READING

Bill No: SB 1172
Author: Hurtado (D)
Amended: 4/23/26
Vote: 21

SENATE LOCAL GOVERNMENT COMMITTEE: 6-0, 4/15/26
AYES: Durazo, Choi, Arreguín, Ashby, Cervantes, Laird
NO VOTE RECORDED: Seyarto

SENATE REVENUE AND TAXATION COMMITTEE: 4-0, 4/22/26
AYES: McNerney, Ashby, Becker, Grayson
NO VOTE RECORDED: Alvarado-Gil

SUBJECT: Bradley-Burns Uniform Local Sales and Use Tax Law: location of transaction: genuine human interaction

SOURCE: City of Shafter

DIGEST: This bill prohibits a person from paying compensation to a consultant with respect to a tax sharing agreement that exceeds either 5% of total revenues or \$250,000.

ANALYSIS:

Existing law:

- 1) Imposes the sales tax on every retailer engaged in business in this state that sells tangible personal property, and requires them to remit taxes collected from purchasers to the California Department of Tax and Fee Administration (CDTFA).
- 2) Provides that unless the person pays the sales tax to the retailer, they are liable for the use tax, which is imposed on any person consuming tangible personal property in the state. The use tax rate is the same rate as the sales tax rate, and

must be remitted on or before the last day of the month following the quarterly period in which the person made the purchase.

- 3) Levies the sales and use tax at a current rate of 7.25%.
- 4) Allows CDTFA to collect sales taxes from retailers, deposit the state share in the General Fund, and then allocate the local share of the Bradley-Burns sales tax and any district tax to the appropriate jurisdiction.
- 5) Allows cities, counties, and specified special districts to increase the sales and use tax, also known as district or transactions and use taxes.
- 6) States that taxes levied by local governments are either general taxes, subject to majority approval of its voters, or special taxes, subject to 2/3 vote (California Constitution, Article XIII C).
- 7) Specifies the “place of sale” for purposes of the local sales tax. Bradley-Burns sales taxes are allocated to the place of business of the retailer, unless the property sold is delivered by the retailer or his or her agent to an out-of-state destination or to a common carrier for delivery to an out-of-state destination, in which case no tax is collected. CDTFA must consider specific characteristics of the retailer to correctly determine the “place of sale,” and therefore correctly allocate the local share of Bradley-Burns sales tax.
- 8) Bans cities and counties from subsidizing the relocation of big box retailers and auto malls within the same market area (SB 114, Torlakson, Chapter 781, Statutes of 2003).
- 9) Prohibits a local agency from entering into an agreement that would result in the payment, transfer, diversion, or rebate of Bradley-Burns local tax proceeds to a retailer if the agreement results in a reduction of revenue that is received by another local agency when the retailer continues to maintain a physical presence and location within that other local agency (SB 533, Pan, Chapter 717, Statutes of 2015).

This bill:

- 1) Prohibits a person from paying compensation to a consultant with respect to a tax sharing agreement that exceeds either 5% of total revenues or \$250,000, whichever is less.

- 2) Provides that a consultant cannot receive compensation more than three years after the effective date or completion of the project phase that directly benefits from the agreement, whichever occurs first.
- 3) Provides that the measure does not apply to local agency staff directly employed by a jurisdiction executing the agreement, or technical consultants providing non-compensated advisory services.
- 4) Provides that the measure only applies to tax sharing agreements entered into on or after January 1, 2027, defines several terms, and applies its provisions to charter cities.

Background

Economic development incentives local agencies offer range in terms of (1) the level of rebate, (2) how long the retailer receives the benefit, (3) the types of jobs or services the retailer must provide in return, and (4) how long the retailer must promise to stay in the jurisdiction. Some agreements offer over half of the Bradley-Burns revenue generated by the facility, for periods of time ranging from one year to 30 years. The City of Fresno has recently entered into long-term agreements with Amazon, Nordstrom, and the Gap, and the City of Dinuba has done the same with Best Buy.

One aspect of the controversy behind these tax sharing agreements is the compensation that consultants who help broker the agreement between the city and the retailer.

In an effort to generate additional public information about agreements between local agencies and retailers to refund Bradley-Burns sales taxes, AB 2854 (Irwin, Chapter 842, Statutes of 2024) required local agencies to publish specified information on tax sharing agreements, and provide it to CDTFA. This includes information on the compensation of all parties to the agreement.

Comments

- 1) *Purpose of the bill.* According to the author, “SB 1172 is about protecting the integrity of taxpayer dollars and ensuring they are used for their intended purpose, investing back into communities. Local tax-sharing agreements can play an important role in attracting business, but when those agreements lack clear guardrails, they can unintentionally divert public funds away from essential services. In some cases, consultant compensation is tied directly to the amount of tax revenue rebated, creating incentives that prioritize larger or longer revenue diversions rather than sustainable, community-focused

outcomes. This is especially significant for small and rural communities, where limited tax bases mean fewer resources for public safety, infrastructure, and long-term economic stability. Without transparency and accountability, these communities are at greater risk of losing critical funding with little visibility into how decisions are made. SB 1172 addresses this problem by establishing reasonable limits and transparency requirements that ensure public funds are protected and decisions are made in the open. The bill does not eliminate tax-sharing agreements, but it reinforces their purpose by aligning incentives with genuine economic development and requiring clear disclosure of how taxpayer dollars are used. By putting these safeguards in place, SB 1172 strengthens public trust and ensures that economic development tools support, rather than undermine, the long-term health of California's communities, particularly those that can least afford to lose scarce public resources.”

- 2) *Treating the symptom, not the disease.* Both the State Auditor and the Legislative Analyst's Office have suggested replacing situs-based allocation with a population-based allocation system to reduce incentives for local governments to use their economic development powers to promote retail developments. The LAO also suggested that replacing local government sales tax revenues with a different tax base could achieve similar results. Yet, because Section 25.5 of Article XIII of the California Constitution prohibits the Legislature from enacting a statute that would change the method of distributing revenues derived under Bradley-Burns Uniform Local Sales and Use Tax Law, as it read on November 3, 2004, except to comply with federal law or to allow the state to participate in an interstate compact, moving away from a situs-based sales tax allocation system would require a Constitutional Amendment or enacting a new local tax scheme. While SB 1172 reduces compensation outside consultants can receive from these agreements, broad tax reform is needed to address the underlying problem.

FISCAL EFFECT: Appropriation: No Fiscal Com.: No Local: No

SUPPORT: (Verified 4/27/26)

City of Shafter (source)

League of California Cities

OPPOSITION: (Verified 4/27/26)

None received

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