

Date of Hearing: June 17, 2026

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

SB 1172 (Hurtado) – As Amended April 23, 2026

SENATE VOTE: 36-0

SUBJECT: Bradley-Burns Uniform Local Sales and Use Tax Law: tax sharing agreements.

SUMMARY: Prohibits a local agency from paying certain amounts of compensation to a consultant with respect to tax sharing agreements. Specifically, **this bill:**

- 1) Defines the following terms:
 - a) “Consultant” to mean a person or a business that provides services, including, but not limited to, legal, lobbying, or financial services, for facilitating, negotiating, and advising on a tax sharing agreement.
 - b) “Local agency” to mean a city, county, city and county, or special district.
 - c) “Tax sharing agreement” to mean any form of agreement that would result, directly or indirectly, in the payment, transfer, diversion, or rebate of any tax revenue resulting from the imposition of a sales and use tax under the Bradley-Burns Uniform Sales Tax Law to any person for any purpose.
- 2) Specifies that a local agency shall not pay compensation to a consultant with respect to a specific tax sharing agreement that exceeds the lower of the following:
 - a) 5% of the total tax revenues shared pursuant to the tax sharing agreement.
 - b) \$250,000.
- 3) Provides that a consultant shall not receive compensation from proceeds of a tax sharing agreement more than three years after the effective date, or completion of the project phase that directly benefits from the agreement, whichever occurs first.
- 4) Specifies that this bill shall not apply to the following:
 - a) Local agency staff directly employed by the jurisdiction executing the agreement.
 - b) Technical consultants providing noncompensated advisory services.
- 5) Provides that this bill only applies to tax sharing agreements entered into on or after January 1, 2027.

- 6) Finds and declares that ensuring fairness in tax sharing agreements across the state is a matter of statewide concern and is not a municipal affair. Therefore, this bill applies to all cities, including charter cities.

FISCAL EFFECT: None.

COMMENTS:

- 1) **Bill Summary.** This bill prohibits a local agency 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. This bill also prohibits a consultant from receiving proceeds of a tax sharing agreement for more than three years after the effective date of the agreement, or completion of the project phase that directly benefits from the agreement, whichever occurs first. The City of Shafter is the sponsor of this bill.
- 2) **Author’s Statement.** 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.”

- 3) **Sales and Use Tax.** State law imposes the sales tax on every retailer “engaged in business in this state” that sells tangible personal property, requiring them to register with the California Department of Fee & Tax Administration (CDTFA) and remit the taxes collected from purchasers to CDTFA. Sales tax applies whenever there is a retail sale. The current sales and use tax rate is 7.25%, as noted in the table below. Additionally, cities, counties, and specified special districts may increase the sales and use tax rate that applies in its jurisdiction, also known as district, or transactions and use, taxes.

Rate	Jurisdiction	Purpose/Authority
3.9375%	State (General Fund)	State general purposes
1.0625%	Local Revenue Fund (2011 Realignment)	Local governments to fund local public safety services
0.50%	State (1991 Realignment)	Local governments to fund health and welfare programs
0.50%	State (Proposition 172 - 1993)	Local governments to fund public safety services
1.25%	Local (City/County) 1.00% City and County 0.25% County	City and county general operations. (Bradley-Burns) Dedicated to county transportation purposes
7.25%	Total Statewide Rate	

CDTFA collects sales taxes from retailers, deposits the state share in the General Fund, and then allocates the local share of the Bradley-Burns sales tax and any district tax to the appropriate jurisdiction. Unless the purchaser pays the sales tax to the retailer, they are liable for the use tax, which the law imposes on any person consuming tangible personal property in the state. The use tax is assessed at the same rate as the sales tax and must be remitted on or before the last day of the month following the quarterly period in which the purchase was made.

- 4) **Bradley-Burns.** The Bradley-Burns Uniform Sales Tax Act allows all local agencies to apply their own sales and use tax on the same base of tangible personal property. This tax rate is currently fixed at 1.25% of the sales price of tangible personal property sold at retail in the local jurisdiction or purchased outside the jurisdiction for use within the jurisdiction. Cities and counties use 1% of this tax to support general operations, while the remaining 0.25% is used for county transportation purposes. In California, all cities and counties impose Bradley-Burns local taxes.

Bradley-Burns law 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 as follows:

- a) For a retailer that has *one location in the state*, that location is determined to be the place of sale for all of its sales. CDTFA does so even if title to sold property passed from seller to buyer outside of the jurisdiction of the seller, or if the property never entered the jurisdiction of the seller. For example, CDTFA would determine that all local taxes attributable to a furniture store in the City of Sacramento would be sourced to that city, regardless of where the store delivered furniture to the buyer.
 - b) For a retailer that has *more than one location in the state*, CDTFA determines the location based on the location where principal negotiations occurred. In the above example, if a retailer has more than one location, CDTFA considers the place of business the location where the retailer takes the order, regardless of whether they subsequently forward it to another location for delivery. For example, if a resident of the City of Davis called a furniture store in Sacramento to order a lamp, which the store shipped to Davis from its Vacaville location, CDTFA would consider Sacramento the place of business for purposes of allocating the local tax.
 - c) For a retailer that has *no location in the state, but has a stock of property in the state from which it fills orders*, CDTFA considers the place of sale as the location from which the property is shipped. If a resident of the City of Davis ordered a lamp from an internet retailer that did not have a retail location in the state but filled the order from its Vacaville warehouse, CDTFA would consider Vacaville the place of sale.
- 5) **Economic Development Incentives.** Counties and cities engage in a wide variety of economic development activities to build their tax bases. Local officials can use various tactics to influence where, when, and how the private sector invests capital and improves real property, including:
- a) Regulatory tools, including general plans, zoning, and subdivision standards.
 - b) Direct spending, including building public works projects like dams, water systems, sewers, levees, and roads, as well as grants and loans, and site preparation.
 - c) Tax policies, including lower rates on local taxes (such as sales taxes or property taxes) for selected taxpayers and tax abatements where officials return the revenues to the taxpayers.

Local officials sometimes use their economic development powers to induce businesses to relocate to their communities. State law 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]. State law also 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].

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. For example, 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.

- 6) **State Auditor and Legislative Analyst Reports.** Both the California State Auditor and the Legislative Analyst’s Office (LAO) have issued reports questioning the statewide benefit of economic development incentives local agencies offer to retailers for locating in their jurisdiction. The November 2017 report from the California State Auditor entitled, “The Bradley-Burns Tax and Local Transportation Funds: Changing the Allocation Structure for the Bradley-Burns Tax Would Result in a More Equitable Distribution of Local Transportation Funding,” states:

“Some counties may benefit disproportionately from the Bradley-Burns tax because of the way state law currently directs the allocation of the funds. Retailers generally allocate Bradley-Burns tax revenue based on the place of sale, which they identify according to their business structure. However, retailers that make sales over the Internet may allocate sales to various locations, including their warehouses, distribution center, or sales offices. This approach tends to concentrate Bradley-Burns tax revenue into the warehouses’ or sales offices’ respective jurisdictions. Consequently, counties with a relatively large amount of industrial space may receive disproportionately larger amounts of Bradley-Burns tax, and therefore Local Transportation Fund, revenue. The State could make its distribution of Bradley-Burns tax revenue derived from online sales more equitable if it based allocations of the tax on the destinations to which goods are shipped rather than on place of sale.”

Similarly, a 2007 LAO report entitled, “Allocating Local Sales Taxes,” states:

“The use of financial incentives does not result in net benefits to a broader economic region within the state. It simply shifts existing sales taxes from one jurisdiction to another – at the cost of government resources that could be used for other purposes. The counterproductive aspects of the current system could be addressed through major reforms involving either the local sales tax allocation methodology or changes in local government’s system of taxes. Both of these options would involve significant public policy trade-offs and would require changes to the state’s Constitution.”

- 7) **Recent Developments with Tax Sharing Agreements.** Bradley-Burns tax sharing agreements have come under renewed scrutiny. According to an article published in 2023 in *Bloomberg Tax*:

“A few dozen California cities have cut deals with retail giants like Apple, Best Buy, and Walmart, which assign in-state online sales to those cities based on the presence of a warehouse or sales office. The arrangements often last decades. In return, the cities give a share—typically half—of the resulting sales tax revenue back to the companies in the name of economic development. Sometimes the cities also give a portion of the annual proceeds to

consultants and lawyers who broker the deals.

“The deals create losses for two-thirds of cities and a bonanza for fewer than 30, according to a recent CDTFA report.

“Bloomberg Tax has found that the Central Valley city of Dinuba paid Best Buy \$42.6 million between 2016 and the first quarter of 2023 under the terms of its deal. A lawyer who brokered the deal earned \$9 million over the same time. Apple’s deal with Cupertino has resulted in one of the world’s richest companies getting \$107.7 million from its hometown between 1998 and the end of 2022, although the validity of the deal is in doubt.”¹

Bloomberg Tax also noted some local agencies have made information about agreements difficult to find. The City of San Bruno didn’t include payments to Walmart.com on its public check registers, which are approved by city councils during regular meetings.² San Bruno initially denied a request from Bloomberg Tax to provide information about payments to Walmart.com, citing taxpayer confidentiality rules, but released it following a request under the California Public Records Act.³

One aspect of the controversy behind these tax sharing agreements is the compensation paid to consultants who help broker the agreement between the city and the retailer. *Bloomberg* reporter Laura Mahoney published a series of articles looking at the details of these agreements. For example, in the City of Dinuba’s deal with Best Buy:

“Best Buy opened the warehouse in Dinuba in 2009. The 2015 tax-sharing agreement didn’t change the company’s operations in the city, but it did change the flow of sales tax revenue from online sales to California customers.

“Since then, Dinuba’s total sales tax revenue has increased from \$4.9 million a year to a peak of \$30.8 million in 2020, according to data from the California Department of Tax and Fee Administration. Most of that increase is due to the tax-sharing agreement, according to city budget documents.

“City-issued checks and other public records show Dinuba has paid Best Buy \$37.9 million and Cendejas \$8.2 million through the third quarter of 2022—meaning Dinuba has kept somewhere around \$30 million since 2016.”⁴

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

¹ Laura Mahoney, “California Cities Agree to Rein in Apple-Like Tax Windfalls.” Bloomberg Tax Report, August 17, 2023.

² Laura Mahoney, “Walmart’s California Sales Tax Deal is Successful but Vulnerable.” Bloomberg Tax Report, October 11, 2023.

³ *Ibid.*

⁴ Laura Mahoney, “California Watchdog Clears Lawyer at Center of Tax-Sharing Deals.” Bloomberg Tax Report, February 16, 2023.

agreements and provide it to CDTFA. This includes information on the compensation of all parties to the agreement.

- 8) **Policy Consideration.** Both the State Auditor and the LAO 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. Specifically, Internet retailers may identify their warehouses or distribution centers as their places of sale when remitting Bradley-Burns tax, even though they may ship their taxable goods to locations across the state. As a result, local jurisdictions with relatively more warehouses or distribution centers receive Bradley-Burns tax allocations that are disproportionate to their purchases.

SB 531 (Glazer) of 2019 would have prohibited a local agency from entering into any agreement that results in a rebate of Bradley-Burns local tax revenues to a retailer in exchange for that retailer locating within that agency's jurisdiction. However, Governor Newsom vetoed the bill saying:

“Current use of these tax agreements are limited but also an important local tool that captures additional economic activity, particularly in rural and inland California cities that continue to face significant economic challenges like high unemployment rates. Therefore, completely removing these tax options from local decision makers is the wrong approach.

“I do support greater oversight with respect to the use of these tax agreements and have signed Assembly Bill 485, which will increase transparency regarding the economic outcomes that result from these types of agreements. This will allow the state to better understand the nature of the agreements between local jurisdictions and businesses, as well as the challenges and obstacles to inclusive growth.”

Although this bill reduces the compensation that outside consultants can receive from these agreements, it does not address whether these agreements should continue to exist in California. Given the extensive questions raised regarding sales tax incentive agreements, the Committee may wish to consider if broader tax reform is needed to address the larger, more fundamental problems with the existing tax allocation system.

- 9) **Previous Legislation.** SCA 20 (Glazer) of 2018 would have amended the California Constitution's current prohibition on the Legislature's ability to reallocate Bradley-Burns sales tax revenues to provide that the retail sale of tangible personal property transacted online is consummated at the point of delivery. SCA 20 died on the Senate Appropriations Committee's Suspense File.

AB 485 (Medina), Chapter 803, Statutes of 2019, required local agencies to take specified actions to inform the public before approving or granting economic development subsidies of \$100,000 or more for warehouse distribution centers, and during the term of such subsidies.

SB 792 (Glazer) of 2022 would have required specified retailers to include with their sales tax returns a schedule that reports the gross receipts from sales of property for each local

jurisdiction where it was shipped or delivered to a purchaser in that jurisdiction. Governor Newsom vetoed the bill saying:

“This bill requires certain online retailers to include with their tax returns an additional schedule that reports the gross receipts for each local jurisdiction that qualified goods were delivered to a purchaser. This duplicates extensive sales and use tax information that is already accessible on the California Department of Tax and Fee Administration's online portal, and results in General Fund costs that are not included in the Budget Act.

“I support increased transparency and oversight of the use of local government tax related economic development agreements, which is why I signed AB 485 (Chapter 803, Statutes of 2019). However, this bill creates a burdensome and costly new reporting requirement for many retailers that is unrelated to their tax obligations.”

SB 1494 (Glazer) of 2024 would have prohibited a local agency from entering into, renewing, or extending sales and use tax rebate agreements with retailers in exchange for locating in their jurisdiction, and would have voided agreements entered into before that date on January 1, 2030. SB 1494 died on the Senate Floor.

- 10) **Arguments in Support.** According to the City of Shafter, the sponsors of this bill, “These tax-sharing agreements are arrangements under which a local agency agrees to rebate, refund, or otherwise share a portion of locally generated tax revenues with a private entity.

“Concerns have grown over the proliferation of local tax-sharing agreements. Some agreements involve excessive consultant compensation or rebate structures that divert revenues away from public purposes.

“This bill would establish guardrails on consultant compensation in local tax-sharing agreements. The City of Shafter believes that limiting the duration and amount of revenue-based payments would promote transparency and accountability, aligning incentives with genuine economic development. The compensation cap is to ensure that no more excess consultant fees are paid by local jurisdictions, nor are they to be paid for an overly lengthy period of time.

“Exempted from this bill are public agency staff members and any technical consultants who are not paid for their advisory services. This ensures that those individuals employed by the local agency, and who are acting in the public interest, can complete the necessary tasks for their local agency employer.”

- 11) **Arguments in Opposition.** None on file.

- 12) **Double-Referral.** This bill is double-referred to the Assembly Revenue and Taxation Committee.

REGISTERED SUPPORT / OPPOSITION:

Support

City of Shafter [SPONSOR]
California Retailers Association
City of Thousand Oaks
League of California Cities

Opposition

None on file

Analysis Prepared by: Jimmy MacDonald / L. GOV. / (916) 319-3958