

Date of Hearing: June 29, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION
Mike Gipson, Chair

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

Majority vote.

SENATE VOTE: 36-0

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

SUMMARY: Limits the amount of compensation a local agency can pay a "consultant" who brokers "tax sharing agreements", as specified. Specifically, **this bill:**

- 1) Defines the following terms:
 - a) "Consultant" means 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" means a city, county, city and county, or special district; and,
 - c) "Tax sharing agreement" means 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 (SUT) under the Bradley-Burns Uniform Local SUT Law (Bradley-Burns) to any person for any purpose.
- 2) Provides 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; or,
 - 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) Provides that this bill shall not apply to the following:
 - a) Local agency staff directly employed by the jurisdiction executing the agreement; or,
 - b) Technical consultants providing noncompensated advisory services.
- 5) Provides that this restriction 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.

EXISTING LAW:

- 1) Authorizes counties and cities, under Bradley-Burns, to impose a local SUT for tangible personal property (TPP) sold at retail in the county or city, or purchased for storage, use, or other consumption in the county or city. (Revenue and Taxation Code (R&TC) Section 7202 *et seq.*)
- 2) Requires the county or city to contract with the California Department of Tax and Fee Administration (CDTFA) for the administration of the taxes and requires CDTFA, in turn, to transmit those taxes to the city or county. (R&TC Section 7202(d).)
- 3) Provides that, for purposes of a local Bradley-Burns sales tax, all retail sales are consummated at the place of business of the retailer, unless otherwise specified. (R&TC Section 7205.)
- 4) Defines "rebated sales and use tax revenues" as any direct or indirect payment, transfer, diversion, or rebate of any tax revenue resulting from the imposition of a SUT under Bradley-Burns. (R&TC Section 7213(a)(2).)
- 5) Requires, on or before April 30th of each year, local agencies to report to the CDTFA all of the following information on each agreement resulting in rebated SUT revenues:
 - a) The name or names of any parties to the agreement;
 - b) The total dollar amount of rebated SUT revenues received by each party to the agreement on or after the date of the execution of the agreement through and including December 31 of the calendar year immediately preceding the date of the report;
 - c) The total dollar amount of rebated SUT revenues received by each party to the agreement during the calendar year immediately preceding the date of the report;
 - d) The date on which the agreement was originally executed, and the date on which the agreement will terminate, absent any renewal;
 - e) The percentage of a retailer's SUTs, if any, used to calculate or otherwise determine the rebated SUT revenues received by each party to the agreement; and,
 - f) The percentage of a retailer's SUTs, if any, used to calculate or otherwise determine the rebated SUT revenues received by any other person that is not a party to the agreement. (R&TC Section 7213(d).)
- 6) Exempts any local agency that has not directly or indirectly paid, transferred, diverted, or rebated any SUT revenues from providing the above information to the CDTFA and posting the information on its internet website. Instead, such local agencies must attest to this fact in a form and manner prescribed by the CDTFA. (R&TC Section 7213(c).)

- 7) Provides that, in any case where a local agency fails to provide the information above in a timely manner to the CDTFA or fails to post the information on its internet website, the department must notify the local agency that it has 30 days to provide or publish the required information. If a local agency fails to provide or publish the information within 30 days of the date the department provides notice, the CDTFA may impose a penalty in an amount equal to the greater of the following:
 - a) 20% of any rebated SUT revenues during the applicable calendar year; or,
 - b) \$1,000 for each day the local agency fails to provide or publish the required information after receipt of the 30-day notice from the CDTFA. (R&TC Section 7213(e).)
- 8) Requires the CDTFA, on or before June 1, 2025, and annually thereafter, to publish on its internet website the information submitted by local agencies. (R&TC Section 7213(f).)
- 9) Prohibits a local agency from entering into any agreement that would result in the payment, transfer, diversion, or rebate of any Bradley-Burns revenues to any person when both of the following conditions apply:
 - a) The agreement reduces the amount of Bradley-Burns revenue that, absent the agreement, would be received by another local agency; and,
 - b) The retailer continues to maintain a physical presence within the territorial jurisdiction of that other local agency. (Government Code (GC) Section 53084.5(a).)
- 10) Requires any local agency entering into an agreement that reduces the amount of Bradley-Burns revenues that would otherwise be received by another local agency to:
 - a) Post the proposed agreement on its internet website for at least 30 days before ratification or approval; and,
 - b) Notify the other local agency by certified mail, as specified, at least 60 days before ratification or approval. (GC Section 53084.5(b).)
- 11) Requires a local agency to post any such agreement on its internet website. (GC Section 53084.5(b)(3).)
- 12) Requires each local agency to provide specified information to the public before approving an economic development subsidy within its jurisdiction, and to, among other things, hold hearings and report on those subsidies. For these purposes, "economic development subsidy" is defined as any expenditure of public funds or loss of revenue to a local agency in an amount of \$100,000 or more. (GC Section 53083 *et seq.*)

FISCAL EFFECT: This bill does not impact state revenues.

COMMENTS:

- 1) The author has provided the following statement in support of this bill:

SB 1172 is about protecting the integrity of taxpayer dollars and ensuring they are used for their intended purpose, investing in communities. Local tax-sharing agreements can

play an important role in attracting businesses, 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.

Senate Bill 1172 addresses this problem by establishing reasonable limits and transparency requirements that ensure public funds are protected and decisions are made in the public view. The bill does not eliminate tax-sharing agreements but rather reinforces their purpose by aligning incentives with genuine economic development. This bill also requires clear disclosures of how taxpayer dollars are used. By establishing these safeguards, SB 1172 strengthens public trust and ensures that economic development tools support, rather than undermine, the long-term health of California's communities.

2) The City of Shafter, the sponsor of the measure, writing in support, notes, in part:

Concerns have grown over the proliferation of local tax-sharing agreements. Some agreements involve excessive consultant compensation that diverts 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.

3) HdL Companies, writing in opposition to this bill unless it is amended, notes, in part:

On behalf of the HdL Companies, I write to respectfully oppose SB 1172 by Senator Hurtado unless it is amended to clarify the definition of a tax sharing agreement does not include agreements pertaining to reallocation petitions. We believe SB 1172's stated goals are to be commended; the drafting of the bill goes beyond tax sharing agreements. It captures the work we do to help local governments petition the California Department of Tax and Fee Administration for the recovery of misallocated or erroneously disturbed sales and use tax revenues to which they are legally entitled. This work is unrelated to the formation of a tax sharing agreement. The HdL Companies is a leader of auditing, operations and revenue solutions for public agencies. We partner with over 700 government agencies across the U.S. and have recovered more than \$3 billion in revenue for our clients.

4) Committee Staff Comments:

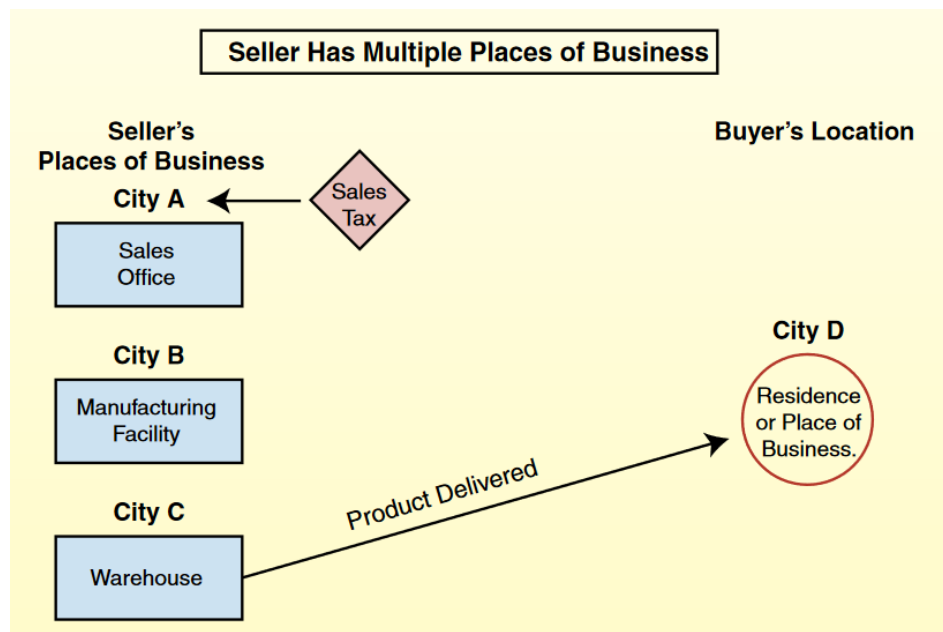
- a) *Overview of Bradley-Burns*: In 1955, the Legislature enacted Bradley-Burns, which authorized counties and cities to impose a local SUT and required them to contract with

the State Board of Equalization (BOE) to perform all administrative functions, including tax collection and revenue allocation to the appropriate local governments. Bradley-Burns was enacted to provide an additional source of revenue for local governments, to promote a uniform and integrated SUT regime throughout the state, and to avoid retailers having to pay different taxes to different governmental entities by having the integrated SUT program administered by the state.

Responsibility for administering Bradley-Burns was shifted from the BOE to the CDTFA as part of the Taxpayer Transparency and Fairness Act of 2017. The tax rate is fixed at 1.25% of the sales price of TPP sold at retail in the county or purchased outside the county for use within the county. Current law authorizes cities to impose a local Bradley-Burns SUT rate of up to 1%. The city SUT rate is "credited" against the county rate so that the combined rate does not exceed 1.25%.

Of the 1.25%, cities and counties use 1% to support general operations. The remaining 0.25% is designated by statute for county transportation purposes and restricted to road maintenance or the operation of transit systems. Counties receive the 0.25% tax for transportation purposes regardless of whether the sale occurs in a city or in the unincorporated area of the county. In California, all counties impose Bradley-Burns local taxes at a total uniform rate of 1.25%, and most cities impose Bradley-Burns local taxes at a rate of 1.00%. Certain cities impose the tax at a slightly lower rate than 1.00% via agreement with their respective counties.

- b) *Place of sale:* Bradley-Burns tax allocation varies depending on whether the transaction is subject to sales tax or use tax. The transaction is subject to sales tax if the retailer's place of business in California participates in the transaction and the sale takes place (i.e., title to the goods passes to the customer) in California. Unless both of these conditions are met, the use tax applies.



As noted above, the local sales tax is allocated to the place of sale. For purposes of local sales tax, the place of sale is a place of business of the retailer.¹ The term "sale" means "[a]ny transfer of title or possession, exchange, or barter, conditional or otherwise, in any manner or by any means whatsoever, of [TPP] for a consideration."² If a retailer has only one place of business in California, all California retail sales in which that place of business participates occur at that place of business. If a retailer has more than one place of business in this state participating in the sale, the place of sale is where the principal negotiations occur.³

Local use tax is generally allocated to local jurisdictions through a countywide pool. Each local jurisdiction within a county, including the county itself, receives a prorated amount of the countywide pool (based on its proportion of the local tax that is directly allocated to jurisdictions within the county).⁴

- c) *Let's make a deal*: The rather complicated sourcing rules described above have given many retailers a powerful negotiating tool vis-à-vis local governments. For example, imagine a concrete manufacturer with production and sales offices located throughout the state. This manufacturer could decide to restructure by consolidating all statewide sales into one California office. This sales office, as the place of principal negotiation, could then serve as the retailer's "place of sale" for Bradley-Burns purposes on all of its California sales. Before deciding where to locate its one sales office, the concrete manufacturer could negotiate with an array of cities to see which is willing to rebate the largest percentage of any new Bradley-Burns revenues back to the retailer.⁵

Many cities have reportedly offered large companies over one-half of their new revenues in such negotiations in the hopes of bringing jobs and economic development to their regions.⁶ Retailers are the obvious beneficiaries of such arrangements. It is less clear, however, whether cities similarly benefit given the nature of the jobs created and the revenues siphoned from essential public services. Critics contend that the biggest losers are the many local agencies throughout California that previously received Bradley-Burns taxes from the retailer's sales.

- d) *Redirected revenues*: In 2007, the Legislative Analyst's Office (LAO) published a report on the allocation of local sales tax, which focused on agreements between cities and private businesses involving diversions of local sales taxes to lure businesses to remain or

¹ R&TC Section 7205.

² R&TC Section 6006.

³ Cal. Code Regs., tit. 18, § (Regulation) 1802, subd. (a).

⁴ *Local and District Tax Guide for Retailers*, California Department of Tax and Fee Administration. <https://www.cdtfa.ca.gov/industry/localanddistricttaxes.htm#Local-Tax>.

⁵ *How BestBuy, Apple, Nike, and Other Online Retailers Make Millions from California Tax Deals*. Bloomberg Tax (August 28, 2024), <https://www.youtube.com/watch?v=mMQaI5fSyoo>.

⁶ Mahoney, *Apple's 22-year Tax Break Part of Billions in California Bounty*, Bloomberg Tax (April 24, 2019). <https://news.bloombergtax.com/daily-tax-report-state/apples-22-year-tax-break-part-of-billions-in-california-bounty>.

move into a particular jurisdiction.⁷ The report concluded that the use of such financial incentives does not result in a net benefit to a broader economic region within the state, but rather simply shifts existing sales tax from one jurisdiction to another at the cost of government resources that could be used for other purposes.

On November 15, 2023, this Committee held an informational hearing on the topic of Bradley-Burns revenues and the impacts of rebate agreements. The hearing featured presentations from the CDTFA, the LAO, and Michael Colantuono, a distinguished attorney that has represented local agencies on related matters. Additionally, the hearing featured a panel of municipal leaders from the cities of Fresno, Simi Valley, and Placentia, as well as public comment from representatives from various other California cities.⁸ Stakeholders expressed frustration at the secrecy and lack of transparency surrounding these agreements, noting that although some cities post the agreements on their websites, the amounts paid to the companies and consultants brokering the deals are not typically disclosed.

- e) *Is sunlight the best disinfectant?* Unlike other economic development incentives that are advertised widely to attract new businesses, information regarding Bradley-Burns rebate agreements has historically been hard to find. Several cities have previously invoked taxpayer confidentiality to deny requests from journalists for payment information concerning the agreements. For example, Bloomberg Tax noted that the City of San Bruno did not include payments to Walmart.com on its public check registers, which are approved by city councils during regular public meetings. Ultimately, San Bruno complied with a request made under the California Public Records Act.⁹

While reporting revealed some information regarding some of the largest rebate agreements, the state lacked a comprehensive understanding of the total amount of revenues being rebated to retailers and the number of agreements in effect. In response, AB 2854 (Irwin), Chapter 842, Statutes of 2024, required cities and counties to annually provide specified information to the CDTFA and on their website relating to each agreement that results in the direct or indirect payment, transfer, diversion, or rebate of Bradley-Burns SUT revenues. Notably, AB 2854 required cities and counties to disclose amounts paid to all parties to the agreement, including consultants who brokered the deals, and any percentages used to calculate the amounts rebated to either the retailer or consultant.

- f) *Notable examples:* The initial deadline to submit information pursuant to AB 2854 was April 30, 2025. In total, 79 California jurisdictions have paid \$877 million in sales tax

⁷ Williams, *Allocating Local Sales Taxes: Issues and Options*, Legislative Analyst's Office (January 12, 2007). https://lao.ca.gov/2007/sales_tax/sales_tax_012407.aspx.

⁸ *Following the Money: How Local Sales Tax Revenues Are Allocated Among California Cities*, California Assembly Committee on Revenue and Taxation (November 15, 2023). <https://arev.assembly.ca.gov/media/817>.

⁹ Mahoney, *Walmart's California Sales Tax Deal is Successful but Vulnerable*. Bloomberg Tax (October 11, 2023). <https://news.bloombergtax.com/daily-tax-report-state/walmarts-california-sales-tax-deal-is-successful-but-vulnerable>.

revenue over more than three decades to companies ranging from large multinationals such as Apple Inc. and Walmart.com to local restaurants and car dealerships.

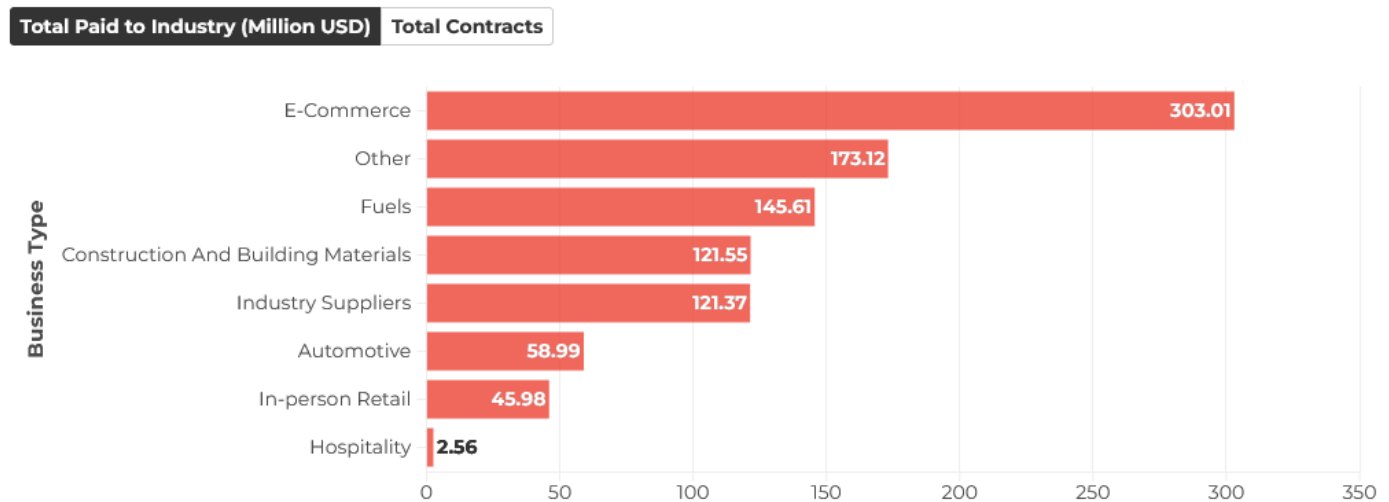
Apple is the largest beneficiary of Bradley-Burns rebate agreements, receiving \$64.7 million since 2013 from its hometown of Cupertino according to the disclosures required by AB 2854. This total applies to the company's current agreement, negotiated in 2013 to replace a previous agreement that began in 1998. Cupertino has paid Apple nearly \$120 million since then according to records compiled by Bloomberg Tax.¹⁰ Others getting the most from local jurisdictions are building materials company Edison Materials Supply LLC, with \$73.5 million in payments from Long Beach since 1999, and consulting firm Cooperative Sourcing, which has received \$66 million for tax-sharing agreements it brokered between the city of Shafter and two companies—retailer Williams-Sonoma, and concrete company Cemex.

The city of Ontario, in San Bernardino County, has the most agreements with 14, and has paid a total of \$63.5 million to companies including Home Depot USA Inc., Nike Retail Services Inc., QVC Inc., and two car dealers. The Black Bear Diner in Menifee, Riverside County, has received one of the smallest totals at \$5,658. While e-commerce represents the largest amount of revenues being rebated, automotive dealerships have a greater number of total rebate agreements:

Online Retailers Gain the Most in California Tax-Sharing Deals



Car dealerships have a greater number of deals overall



Source: California Department of Tax and Fee Administration
Graphic: Taylor Nichols & Jon Meltzer/Bloomberg Tax

Bloomberg Tax

Source: Bloomberg Tax.¹¹

¹⁰ Mahoney, *Who benefits from cities' tax-sharing deals*. Bloomberg Tax (June 25, 2025). <https://news.bloomberglaw.com/california-brief/who-benefits-from-cities-tax-sharing-deals>.

¹¹ Mahoney and Nichols, *Car Dealers Outpace Retail Giants With California Tax Deals*, Bloomberg Tax (June 25, 2025). <https://news.bloombergtax.com/daily-tax-report-state/car-dealers-outpace-retail-giants-with-california-tax-deals>.

- g) *What about petitions for misallocations?* Local jurisdictions and districts are encouraged to notify the CDTFA's Local Revenue Branch (LRB) as soon as possible when local and district tax allocations are questioned or potentially inaccurate. The LRB's Allocation Group is responsible for processing inquiries of incorrect distributions of local or district tax (otherwise known as "petitions"). These petitions are written requests submitted by local jurisdictions and district officials or their representatives to question or dispute local and district tax allocations. The petition must contain sufficient factual data to support the probability that local or district tax was incorrectly distributed, including the taxpayer's name, seller's permit number, business address, description of the business' activities, specific reasons and evidence why the taxpayer's allocation is questioned, and the tax reporting periods involved.¹²

Two businesses that regularly file petitions on behalf of local governments in California currently oppose this bill unless it is amended to clarify that these misallocation petition revenues are not subject to the 5% limit established by this bill for tax-sharing agreements. These businesses have historically used a percentage-based contingency fee model, meaning that they only receive money from their client if they succeed in discovering a misallocation of revenues.

- h) *Suggested amendment:* To clarify that petitions for reallocation are not subject to the restrictions imposed on tax-sharing agreements by this bill, the Chair is recommending an amendment clarifying that:

"Tax sharing agreement" shall not include an agreement between a local agency and a consultant to identify and recover tax revenues that have been incorrectly allocated and distributed to another local agency.

- i) *Prior legislation:*

- i) AB 2854 (Irwin), Chapter 842, Statutes of 2024, required cities and counties to annually provide specified information to the CDTFA and on their website relating to each agreement that results in the direct or indirect payment, transfer, diversion, or rebate of Bradley-Burns SUT revenues.
- ii) SB 1494 (Glazer), of the 2023-24 Legislative Session, would have prohibited a local agency from entering into, renewing, or extending any form of agreement that would result, directly or indirectly, in the payment, transfer, diversion or rebate of Bradley-Burns revenues to any retailer, as specified. Additionally, SB 1494 would have made those forms of agreements existing before January 1, 2024, void and unenforceable as of January 1, 2030. SB 1494 did not pass the Senate by the Constitutional deadline.
- iii) SB 792 (Glazer), of the 2021-22 Legislative Session, would have required qualified retailers to include with each SUT return a schedule that reports for each local jurisdiction the gross receipts from the qualified sale of TPP shipped or delivered to a

¹² *Local and District Tax Petitions for Local Jurisdictions and Districts.* CDTFA.
<https://cdtfa.ca.gov/industry/local-jurisdictions-and-districts/local-and-district-tax-petitions.htm>.

purchaser in that jurisdiction. Governor Newsom vetoed SB 792, noting the following in his veto message:

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.

- iv) SB 531 (Glazer), of the 2019-20 Legislative Session, would have prohibited a local agency from entering into an agreement that would result in the rebate of Bradley-Burns revenues to any retailer in exchange for the retailer locating or continuing to maintain a place of business within the local agency, as specified. Governor Newsom vetoed SB 531, noting the following in his veto message:

This bill would prohibit a local agency from entering into any agreement that would result, directly or indirectly, in a rebate of the Bradley-Burns Uniform Local Sales and Use Tax revenues to a retailer that locates or maintains a place of sale within the jurisdiction of that local agency.

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.

- v) SB 1466 (Glazer), of the 2017-18 Legislative Session, would have provided that the place of sale for certain online transactions is the point of delivery for the TPP, as specified. SB 1466 was not heard by the Senate Governance and Finance Committee.
- vi) SB 533 (Pan), Chapter 717, Statutes of 2015, added additional restrictions on local agencies that entered into agreements that result in the payment, transfer, diversion or rebate of any Bradley-Burns local tax revenues and required cities to post the

agreements on their internet websites at least 60 days prior to approval by their governing body.

- vii) SB 27 (Hancock), Chapter 4, Statutes of 2009, prohibited a local agency from entering into an agreement that results in the payment, transfer, diversion, or rebate of any Bradley-Burns local tax revenues, as specified.

REGISTERED SUPPORT / OPPOSITION:

Support

City of Shafter
City of Thousand Oaks
League of California Cities

Oppose Unless Amended

HdL Companies
Neumo (formerly Muniservices LLC)

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