



City of Pomona

Estimate for Transactions Tax/District Add-on Sales Tax – 5/24/2018

While sales tax is generally allocated to the jurisdiction where the sale is negotiated or the order taken, revenues from an 'add-on' transactions tax are allocated to the place of purchase and/or place of first use. The City of Pomona can expect to receive transactions tax revenue from normal sales tax generating businesses like retail stores and restaurants. Both residents and visitors alike will pay the transactions tax on purchases that they consume or take possession of at the place of business in the City of Pomona. In addition, any purchases shipped or delivered into the City from other places (business, medical and industrial supplies, construction materials, catalog and internet purchases, furniture, appliances, bulk fuel, etc.) will generate additional transaction tax revenue.

However, as the transaction tax relates to registered vehicles and recreational vehicles (RV's) purchases the tax will only be paid by City of Pomona residents and businesses regardless of where the purchase is made. Therefore, if a Pomona resident purchases a vehicle from an auto dealer inside or outside the City of Pomona, the auto dealer will collect and remit the transaction tax.

Conversely, if a non-Pomona resident purchases a vehicle from an auto or RV dealer within the City of Pomona, the transaction tax will not be applicable. The same concept applies to building and construction outlets. If goods purchased within the City are then shipped to the end user outside the City of Pomona, the retailer will not be applicable. Given Ferguson, HD Supply, and the large number of RV dealers within the city limits, and the probability that many of the purchases are made by non-Pomona residents, the overall transaction tax estimate is lower than three-quarters of the annual Bradley-Burns sales tax revenue amount.

As there is no historical database to track purchases in a specific jurisdiction, the following estimate is based on a review of sales/transactions tax ratios in other agencies levying a transactions tax that have similar economic characteristics to the City of Pomona.

	FY 19/20 Estimated 0.75 Cent Transaction Tax
Autos & Transportation	\$2,355,000
Building & Construction	\$1,164,000
Business & Industry	\$2,012,000
Food & Drugs	\$757,000
Fuel & Service Stations	\$1,435,000
General Consumer Goods	\$3,033,000
Restaurants & Hotels	\$1,669,000
2% Deduction for first year start up issues	(\$249,000)
Admin Fees	(\$106,000)
Total	\$12,070,000



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A timeline has been provided to better understand the implementation process of a new transaction tax measure by the Board of Equalization (BOE) and the fiscal impacts.

Month tax measure on ballot	November 2018	June 2019
Date approved measure effective	April 1, 2019	October 1, 2019
Month of first advance from BOE	June 2019	December 2019
Fiscal impact for annual budget process	Approx. 1/4 year in FY 18-19, first full year FY 19-20	Approx. 3/4 year in FY 19-20, first full year FY 20-21