

April 8, 2019

The Honorable Gavin Governor Newsom
Governor of the State of California
State Capitol Building
Sacramento, California 95814

Re: **AB 147 (Burke and McGuire) - Use Taxes: Collection: Marketplace Facilitators - Request for Signature**

MuniServices is pleased to express its support for AB 147 and requests your signature when it comes before you. This measure includes several proposed changes to State law with respect to the California Department of Tax and Fee Administration's (CDTFA) implementation of *South Dakota v. Wayfair, Inc.* For over 40 years, MuniServices has partnered with cities, counties, transit districts, and other special districts as their local sales tax consultant. Our local agency clients regularly ask our experts to provide revenue impact estimates, as well as implementation interpretation with respect to legislation and CDTFA regulations.

MuniServices was invited to participate in early CDTFA stakeholder meetings on *Wayfair's* implementation. We expressed interest on implementation issues, including how local transactions and use taxes would be treated. We are pleased that AB 147 clarifies that local district taxes must be collected by any retailer meeting the \$500,000 threshold. This clarification will avoid confusion for retailers, the CDTFA, and local governments, and ensures the collection of tens of millions in local revenue. AB 147, commencing on October 1, 2019, will also impose broader sales and uses tax collection requirements on "marketplace facilitators," which sell products pursuant to agreements with "marketplace sellers." This provision imposes a duty on retailers to collect applicable use taxes when they market and collect revenue on behalf of third-party sellers. We recognize that the marketplace facilitator provisions will result in significant revenue gains.

Finally, AB 147 moves existing law to a \$500,000 across-the-board threshold. This change is designed to make the law easier to implement for the CDTFA and retailers and with intent to avoid some of the compliance impacts on small business retailers associated with the existing *Wayfair* \$100,000 and 200 transactions threshold. MuniServices has long-supported efforts to achieve greater revenue collection for local government. In the last decade, internet sales have grown over 20% on a year-over-year basis. Raising the threshold and as indicated in the Assembly Revenue and Taxation analysis will result in some State and local revenue losses. While relatively minimal now, that number will grow each year with the growth of on-line retail. It is our hope that the CDTFA will monitor and measure these revenues. Such data would be helpful in measuring the actual cost of a higher threshold over time as internet sales continue to grow.

We believe that AB 147, which is urgency legislation, will further help the CDTFA implement *Wayfair*. For these reasons MuniServices supports AB 147. Should you have any questions about MuniServices position, please don't hesitate to contact me.

Respectfully,



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cc: Assembly Member Autumn Burke
Senator Mike McGuire
State Treasurer Fiona Ma
Che Salinas, Office of the Governor
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