Property & Sales and Use Taxes

Property & Sales and Use Taxes

PROPERTY TAXES

Property is valued by the Los Angeles County Assessor and taxed at a rate of 1 percent of assessed value. Property tax is assessed and collected from the following major property roll categories:

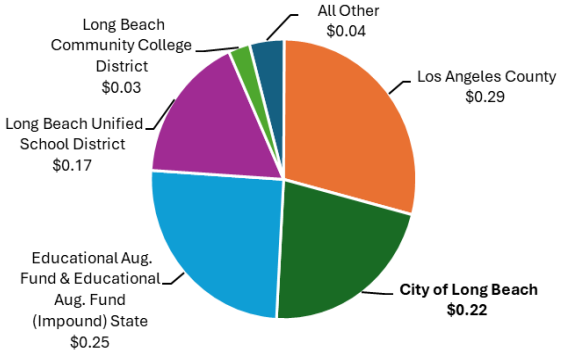
- *Secured*: all land and improvements, buildings, or other structures. This also includes mines or mineral rights such as oil properties.
- *Unsecured*: personal or business property such as machinery, aircraft, boats, tenant improvements.
- *Unitary*: In accordance with the state constitution, certain property types owned by utility, railroad, and pipeline companies are assessed by the Board of Equalization (BOE) and not by the County Assessor. Taxes collected from this category are pooled and allocated across the applicable county.

Passed by voters in 1978, Proposition 13 limits the property tax rate at 1 percent of the full cash value and the annual value increase to no more than the rate of inflation or 2 percent, whichever is less. Values are reassessed upon change of ownership or new construction. Following the passage of Proposition 13, the legislature enacted the AB 8 allocation system to apportion property taxes across counties, cities, and other taxing jurisdictions. While taxes collected from the Unitary category is subject to a separate set of allocation procedures, all other property tax revenues are generally subject to the AB 8 allocation system which established a property tax base for each jurisdiction based on each entity's average property tax revenue in the three years preceding FY 1978/79.

Since establishing the tax base, taxing jurisdictions receive annual revenue in the amount equal to the prior year plus its share of revenue growth (or decline) within its boundaries. On average, the City of Long Beach only receives approximately $0.22 of every $1 in property tax paid by City property owners in non-redevelopment designated areas of the City.

The remaining $0.78 is shared amongst various other agencies, such as schools, special districts, and the County of Los Angeles (see Figure 1). Additionally, there are revenues collected and pooled by the county assessor and apportioned across all taxing jurisdictions based on AB 8 factors, regardless of where the value change took place. These pooled revenues are generated from the following mid-year changes and typically one-time in nature:

Figure 1: Property Tax Dollar Breakdown*



*Property tax share values are rounded to the nearest hundreths.

- Supplemental property tax collected for the balance between pre-property transfer assessed valuation and full cash value after transfer (e.g., paid by the buyer after a new home purchase);
- Revenue changes due to corrections to the property rolls;
- Taxpayer refunds due to value adjustments resulting from successful appeals;
- Delinquent payments and associated penalties.

Further, a portion of property tax revenue received in the City's General Fund is directly attributed to the dissolution of Redevelopment Agencies (RDA) by the State more than a decade ago. Any amount received by the General Fund is the City's share of remaining funds after all former RDA obligations, such as pass-through payments to other taxing agencies and debt service, are met. Over time, as the obligations of the former RDA project areas are completed, and activity slows, funds remitted to the General Fund increase. Finally, property taxpayers are charged additional assessments to support school districts and community college uses (including infrastructure), and not directly the City budget. In 2023, these assessments totaled 19 cents above $1. The City does not levy its own property tax assessments for infrastructure or bonding purposes.

SALES TAX

In FY 25, the effective sales, use, and transaction tax rate in the City of Long Beach is 10.50 percent tax, of which the City generally receives the 1 percent from the local General Fund Bradley-Burns (depending on transaction) and 0.75 percent from the City's transaction and use tax known as "Measure A". As noted in Figure 2, the remaining 8.75 percent is used for statewide or county purposes such as public safety, mental health services, homelessness, and countywide transit-related purposes.

Figure 2: City of Long Beach - Sales, Use, &Transaction Tax Rate	**Rate**
State's General Fund	3.94%
Public Safety Augmentation Fund*	0.50%
Mental health/welfare/public safety services*	1.56%
Countywide Transportation Fund	0.25%
Countywide Transit Development Program (Propositions A and C, and Measures M and R)	2.00%
Los Angeles County Measure A - Homeless Initiative*	0.50%
Bradley-Burns (Local General Fund)	1.00%
Measure A - Transaction & Use Tax**	0.75%
Total Sales, Use, and Transaction Rate	**10.50%**

*Distributed countywide

**Measure A temporarily reduced to 0.75 percent due to Los Angeles County Measure H tax (approved prior to 2020 voter change to Measure A) and will return to the full 1 percent rate in FY 28.

Bradley-Burns

Revenue collected from the 1 percent Bradley-Burns rate is allocated based on transaction-type and will differ based on if sales tax or use tax was applied to the transaction. While there are various exemptions and special allocation procedures for certain goods and transactions, the following provides a general description of Bradley-Burns tax allocation procedures and what is then received by the City of Long Beach:

- *Sales tax* applies to retail sales of tangible personal property (e.g., goods and merchandise purchased from typical brick & mortar retailers), revenue is allocated to the "point of sale" which is the jurisdiction within California where the sale was negotiated or order taken.
- *Use tax* applies to storage, use, or consumption of goods and merchandise from outside California. Because these revenues do not involve a California "place of sale", these revenues are allocated through a countywide pooling system where each jurisdiction will receive their pro rata share based on quarterly taxable shares. The City of Long Beach's share of the Countywide pool is currently 4 percent.

For online retail purchases, sales and use tax distribution varies based on the location of goods at the time of sale and how the customer receives the goods. The following are three tax distribution scenarios for online sales of goods shipped to a California customer, but with differing places of sale:

- Goods pulled from *in-store inventory*, local tax is allocated to the jurisdiction where the store is located.
- Goods pulled from an *out of state fulfillment center*, local tax is distributed to the countywide pool (based on point of delivery) with each jurisdiction receiving its pro rata share.
- Goods pulled from a *California in-state fulfillment center*, local tax is allocated to where the fulfillment center is located.

Measure A – Transaction and Use Taxes

The City's Transaction and Use Tax, known as Measure A, was approved by voters in June 2016. Effective January 1, 2017, the Measure added a 1 percent transactions and use (sales) tax on the sale, storage, use, or other consumption of all tangible personal property within the City. Although tax revenue allocation aligns similarly to sales and use taxes as described above, transaction and use taxes are not subject to the countywide pool system and are allocated to the jurisdiction where the goods are delivered or placed into use. Until April 2025, the County's Measure H (for homeless initiatives) took a one-quarter of a percent due to the timing of when the County's Measure H and City's Measure A were approved.

With voter approval for LA County's Measure A in November 2024 repealing Measure H, staff anticipated the City Measure A transactions and use tax rate would increase from 0.75 percent to a full 1 percent beginning April 1, 2025, instead of October 1, 2027. Since voters approved LA County Measure A, the City has been in continuous communication with the state agency that is responsible for collecting the tax regarding the impact of the County's Measure A on the date when the City's own Measure A tax rate returns to 1 percent. The state agency does not agree that the October 1, 2027, date was accelerated to April 1, 2025, and a legal claim has been filed by the City to seek a determination by the Court. Therefore, absent a court ruling enforcing an earlier effective date and until the state agency's position changes, the City's Measure A tax rate of 0.75 percent will hold until October 1, 2027, as originally scheduled prior to the November 2024 election.