



1400 K Street, Suite 400 • Sacramento, California 95814
Phone: 916.658.8200 Fax: 916.658.8240
www.cacities.org

PROTECT LOCAL AUTHORITY AND REVENUE

With over 12 percent of the nation's population, California boasts the largest and most diverse state population in the country. Its cities are home to the majority of the state's 38 million population and their population growth is expected to continue. Preparing for this increase, while providing critical police, fire, and community services and continuing to recover from the economic downturn, has been significantly challenging for California cities. Working closely with the state and federal level, it is essential to maintain existing local authority to provide cities the tools to respond quickly and effectively when demanding fiscal situations arise and to continue to provide vital services. Through this authority, California cities will continue to develop and implement revenue generating strategies that are capable of supporting strong future economic growth.

The following priority issues are critical for cities' fiscal stability and growth:

- **Close the Online Sales Tax Loophole:** As the internet economy continues to grow, cities are experiencing significant challenges pertaining to the collection of taxes owed on internet retail purchases and transactions occurring through online-based ventures such as online travel and sharing economy companies.

The League supports the closure of the online sales tax loophole and e-fairness legislation, like the Marketplace Fairness Act, which would allow states to require online retailers collect sales tax at point of sales, as brick-and-mortar business do currently. This legislation would place community businesses on a level playing field with online retailers and afford consumers more choice through fair competition. In addition, collecting owed sales taxes means more money for basic services, such as roads and police officers, without increasing the overall federal deficit.

- **Protect Municipal Bonds:** The League opposes any attempt to eliminate or limit the traditional tax exemption for municipal bonds, whether as a part of a deficit reduction plan, a push for comprehensive tax reform or as an offset for new spending. As the Administration and Congress look for revenue to reduce the deficit and still fund programs, the federal income tax exemption provided to interest paid on state and municipal bonds (debt) is under threat. In addition to increasing taxes, the federal government can raise revenue by expanding what is subject to being taxed (broadening the base); as an alternative to raising taxes, interest paid on bonds issued by local governments currently not taxed could lose their exemption from taxation.