



Metro

Los Angeles County
Metropolitan Transportation Authority

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June 28, 2018

TO: BOARD OF DIRECTORS
THROUGH: PHILLIP A. WASHINGTON *PAW*
CHIEF EXECUTIVE OFFICER *Nalini Ahuja*
FROM: NALINI AHUJA, CHIEF FINANCIAL OFFICER
SUBJECT: SUPREME COURT DECISION TO ALLOW STATES TO
REQUIRE ALL RETAILERS TO CHARGE SALES TAX

ISSUE

On June 21, 2018, the Supreme Court of the United States overturned the 1992 Quill decision, giving states broad authority to require online retailers to collect sales taxes.

DISCUSSION

Previously, sales tax collection was only imposed on retailers with a physical presence in the state. States now can require out-of-state retailers to collect their state's sales taxes even if they do not have a store, warehouse, or physical presence in that state.

The State of California joined with 41 other states, two Territories and the District of Columbia in asking the court to reject the physical presence test in support of South Dakota in the case: South Dakota vs. Wayfair, Inc.

Details are unfolding quickly including what is next and what may or may not be needed from the State Legislature and/or Congress with respect to implementing South Dakota vs. Wayfair, Inc. While the California Department of Tax and Fee Administration (CDTFA) initially projected to begin collecting August 1, 2018, they are now uncertain about the actual timing. CDTFA will have to register the affected companies just like they would any other out-of-state business and instruct them to collect the tax rate of the ship to location, 9.5% in most areas of Los Angeles County, including our four separate ½ cent sales taxes (Props A and C and Measures R and M).

We are closely monitoring information released by CDTFA and the State Legislature. The impact to Metro will be determined once California implements the ruling.

NEXT STEPS

We will update the board as more information becomes available.