



# FRESNO COUNTY FIRE

PROTECTION DISTRICT

*Honor, Integrity, Cooperation & Professionalism*

## MEMORANDUM

**Date:** August 21, 2024

**To:** John Arabian, President;  
Members of the District Board of Directors

**From:** William D. Ross, District Counsel

**Subject:** State Board of Equalization Procedures; Use Tax Reimbursement

### BOARD OF DIRECTOR'S BRIEFING PAPER

#### ISSUE

This briefing paper sets forth a summary of an existing procedure of the State Board of Equalization ("SBOE") which would accomplish Use Tax Reimbursement for qualified transactions for the Fresno County Fire Protection District ("District").

#### BACKGROUND

The District purchases certain equipment and supplies from vendors outside of the State of California, for which it is responsible for the payment of a State of California Use Tax which is collected by the involved out-of-state vendors. Among such purchases would be fire apparatus, certain building materials when the District is involved in construction where building supplies are only available from out-of-state, and safety equipment when, again, purchased from an out-of-state vendor. Stated differently, the State Use Tax is imposed on District goods acquired from out-of-state vendors who must collect the tax and remit to the California SBOE. The State Use Tax has the same rate as the base sales tax paid on goods purchased within the State of California.

If a city qualifies for and obtains a *Use Tax Direct Payment Permit* from the SBOE, then that City collects the use tax on its transactions with out-of-state vendors by so doing retains almost all of the use tax amount imposed. Currently there is no authorization for special districts such as the District to receive such a permit, absent by contract with a City that has obtained the Use Tax Direct Payment Permit through the SBOE. The cities which have contracts with District for Fire Protection purposes are: Huron, San Joaquin, Mendota,

and Parlier. Without a Use Tax Direct Payment Permit, both the County of Fresno and cities within the County obtain Use Tax Reimbursement from the SBOE based on the proportionate percentage of that local agency's use tax transaction out of state purchases compared to the total of all out-of-state purchases for all local agencies occurring in the County.

## **DISCUSSION**

If a Use Tax Direct Payment Permit is obtained by a City which contracts for fire services with the District and the District and that City have a sharing agreement then the District receives a portion of the use tax reimbursement – usually 50/50 or half of what the City receives which is based on the *total* of transactions taking place in the District *and* that City. Obviously, the contemplated reimbursement would vary from year to year, being based on the qualified Use Tax Transactions occurring in the contracting City and District.

The benefit to any contracting City is that it receives a much larger share of reimbursement when they agree with the District than the City *would* from a county wide proportional share.

Examples of fire agencies that have such Agreements for use tax reimbursement are SacMetro, the San Ramon Valley and the American Canyon Fire Protection Districts.

If the Board believes there is merit in pursuing such an agreement then this office, in conjunction with Staff, would bring the matter back for Board consideration at a future date.

A critical initial component of such an agreement is the selection of the qualified city under the SBOE procedure described. The past experience of the District with at least one of the cities, the district board should take into account its business experience, operational experience and litigation with the cities mentioned in presenting such a proposal.