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SALES AND USE TAX EXEMPTIONS

Snack Tax: Intent language to enact policy that defines the term "snack food." ACA 2 (Garcia) would amend the constitution to repeal the voter-approved prohibition on taxation of specified food products for human consumption, and requires the application of sales and use tax beginning April 1, 2019. **(AB 274/ Cristina Garcia)**

Property Used as Security Loan: Applies to a person who pledged the property to the pawnbroker as security for a loan and from whom title transferred to the pawnbroker (sunsets January 2022). The BOE estimates an annual state and local revenue loss of \$16,625. **(AB 327/ Gipson)**

Textbooks. An exemption for textbooks purchased by a student from a higher education institution or sold by a person whose primary purpose is to provide textbooks to students attending institutions of higher education, for use as a learning resource in any course of study. The BOE estimates for fiscal year 2018-19, estimated state and local revenue loss of \$222 million. The bill is League opposed. **(AB 960/ Brough)**

Feminine Products: AB 9 applies to an exemption for feminine hygiene products. The BOE estimates for fiscal year 2018-19, the state and local revenue loss is estimated to be \$21.7 million. AB 479 would increase the excise tax on hard alcohol to generate revenue to cover revenue that would be lost from AB 9's proposed exemption. **(AB 9/ Garcia and AB 479 / Gonzalez Fletcher)**

Garment Alterations. Would provide that any person who performs the alteration of garments is a consumer of, and not a retailer with respect to, property used or furnished by that person in altering new or used garments. The bill's purpose is to make the taxation of alterations of new and used garments more consistent and avoid confusing customers who do not understand why alterations are sometimes taxable and other times not. The BOE estimates annual state and local revenue loss of between \$2 million and \$4 million. **(AB 1072/ Brough)**

First Responder Vehicle and Equipment: Local Public employee Retirement: Employer Contributions. Exempts a local agency from paying sales and use tax when purchasing a public safety first responder vehicle or any equipment required on such vehicle, [as specified]. The local public agency would in turn be required to increase the amount of their employer contribution credit to the Public Employees' Retirement Fund. The exemption would allow first responder agencies to upgrade expensive equipment such as fire engines without imposing a sales/use tax change requiring one governmental entity (local government) to transfer funds to another entity, the State. The BOE estimates revenue loss of \$5.1 million in fiscal year (FY) 2017-18 and \$10.7 million in FY 2018-19. **(AB 561/ Voepel)**

Used Electric Vehicles. Would, on and after July 1, 2018, and before January 1, 2025, exempt from state taxes qualified electric motor vehicles. The BOE estimates a state loss of \$1.3 million annually. **(SB 79/ Allen)**

Military and Veteran Medical Facilities. Exempt building materials and supplies purchased by a qualified person for use in the construction of specified military and veteran medical facilities. The BOE estimates a one-time state and local revenue loss of \$223,000. **(SB 197/ Bates)**



LOCAL TRANSPORTATION / DISTRICT TAXES

Metropolitan Planning Organizations: Transactions and Use Taxes. Would authorize a metropolitan planning organization or regional transportation planning agency that is authorized to levy, expand, increase, or extend a transactions and use tax to levy that tax in only a portion of the jurisdiction, as an alternative to the entire jurisdiction. The author's office reported the bill is in response to voter trends where transportation sales tax measures that have failed, received support in certain segments of a district. **(AB 1324/ Gloria)**

San Diego Local Sales Tax Increase. Authorize the San Diego Metropolitan Transit System (MTS) and the North County Transit District (NCTD) to impose a local transportation sales tax and issue bonds within their respective portions of the County of San Diego, with revenues to be used for public transit purposes, as specified, serving their jurisdictions, and to issue bonds backed by these tax revenues, subject to similar requirements. **(AB 805/ Gonzalez Fletcher)**

Riverside County Transportation Commission: Transactions and Use Tax. Authorize the Commission to impose a maximum tax rate for transportation purposes of 1%, subject to voter approval; prohibits the commission from imposing a tax rate other than 1%, or $\frac{3}{4}$, $\frac{1}{2}$, or $\frac{1}{4}$ of 1% unless authorized by statute. **(AB 1189/ Garcia)**

San Mateo County Transit District: Retail Transactions and Use Tax. Current law authorizes the board of the San Mateo County Transit District to adopt a retail transactions and use tax ordinance. This bill would authorize the board to exceed that 2% limit to impose a retail transactions and use tax set at a rate of no more than 0.5%, if approved by the board before January 1, 2021. **(AB 1613/ Mullin)**

Voter Threshold Reduction/ Transportation Measures: Sets the voter approval threshold for transportation funding measures at 55%, down from the current threshold of $\frac{2}{3}$, or 66.6%. This would put transportation funding measures on the same level as school funding measures, which were set at 55% by voters in the year 2000. **(SCA 6/ Wiener)**

BOE AND FTB ADMINISTRATION

Sales Tax Refunds Excess of \$50,000: Authorize vendors to assign to customers the right to file and receive sales tax refunds of \$50,000 or more. The bill stems from the Gap, Inc., seeking a refund of taxes paid from a photographer. The photographer filed a claim for refund with the BOE, but instead of forwarding the refund to the Gap, the photographer kept the amount, which was more than \$700,000. **(AB 433/ Bocanegra)**

BOE: Offer in Compromise Extension: The bill repeals the January 1, 2018 sunset for the BOE existing offer in compromise (OIC) program for active businesses. AB 525 will allow the BOE to continue accepting compromises from taxpayers that cannot pay their full liability and will otherwise have to sell or discontinue their businesses. By authorizing offers in compromise in these situations, this change will both enable the state to collect taxes that will otherwise be lost when the business is inevitably forced into bankruptcy, and help struggling small businesses to stay open. According to the BOE, "[b]ased upon a review of OICs accepted for open and active businesses during the past eight years, the estimated annual revenue gain is approximately \$477,500. This amount does not include additional revenues realized from businesses that remained open and continued to pay their sales and use taxes after their OIC were accepted; that revenue is estimated to be approximately \$1.8 million." **(AB 525/ Aguiar-Curry)**

Sales and Use Taxes: Reporting Use Tax Liabilities: AB 1717 clarifies that eligible purchasers may report use tax liabilities on their FTB returns even if they file late, and that the use tax reported on a late return be applied to the person's use tax liability. AB 1593 would require a taxpayer who reports use tax on their FTB return to enter a number on the use tax line and if that number is zero, to indicate either that the taxpayer owes no use tax or the taxpayer has remitted the tax to the BOE. **(AB 1717/ Committee on Rev and Tax & AB 1593/ Ridley-Thomas)**

Reform of Tax Nonpayment Penalty. Prohibits the assessment of penalties and interest against taxpayers who fail to make a sales and use tax payment if the failure is attributable to the failure of the BOE's website; that the penalty and interest relief will not be available for a taxpayer who fails to file a return or pay the tax within a reasonable time after the conclusion of the outage period. **(SB 11/ Gaines)**

**BUSINESS LICENSE**

Shared Economy/ Single Business License: The bill currently limits local governments' ability to require drivers associated with transportation network companies (TNCs) to obtain a business license to operate. Specifically, this measure will allow drivers to obtain a single business license in one jurisdiction of choice that will be valid in all local jurisdictions of the state - local governments will be prohibited from requiring business licenses for TNC drivers that have already obtained a license in a different jurisdiction regardless of distance. The League and MuniServices are currently evaluating the fiscal, legal, and policy issues that must be considered while crafting a licensing and collection structure for this evolving industry, and sent a joint letter of concerns to the author indicated a commitment to working with stakeholders to identify potential solutions that are fair and balanced. **(SB 182/ Bradford)**

Business License Fee / \$1 For Certified Access Specialists/ Extends the Sunset and Increases the Fee to \$4: Would extend the fee (established by SB 1186, Chapter 383, Statutes of 2012) indefinitely and, on and after January 1, 2018, and until December 31, 2023, increase the amount from \$1 to \$4; the bill would also revert the fee back to \$1 on and after January 1, 2024. For locals that do not issue a business license or an equivalent instrument or permit, would require an applicant for a building permit to pay an additional fee of \$4 on and after January 1, 2018, and until December 31, 2023, and an additional fee of \$1 on and after January 1, 2024, for the building permit, to be collected by the local agency issued the building permit. **(AB 1379/ Thurmond)**

PROPERTY TAX / PARCEL TAXES

Property Tax Exemption: Indian Tribes. Starting with the 2018–19 fiscal year, would exempt property owned in fee by a federally recognized Indian tribe if specified conditions are met. **(AB 653/ Ridley-Thomas)**

Transparency: Parcel Tax Notice. Would require a local agency to provide thirty-day notice of a new parcel tax to any owner of record of a parcel affected by the tax, if that owner of record does not reside within the jurisdictional boundaries of the taxing entity. **(AB 448/ Daly)**

Change in Ownership: Mobilehome Parks. For property tax lien dates occurring on and after January 1, 2018 excludes from the definition of "change in ownership" the transfer of a mobilehome park that is restricted to persons 55 years of age and older. **(AB 1574/ Mayes)**

Electric Generation Facilities Assessments. Adds certain facilities that produce power from nonconventional power sources to the facilities the BOE is not required to assess; allows the facilities to be locally assessed and in the case of solar facilities, local assessment allows the facility to qualify for the new construction exclusion. **(SB 639/ Hertzberg)**

New Construction Exclusion: Rain Water Capture system. Excludes from classification as "newly constructed" and "new construction" the construction or addition, on or after January 1, 2018, of a rain water capture system. SCA 9 would authorize the Legislature to exclude from classification as "newly constructed" the construction or addition, completed on or after January 1, 2018, of a rain water capture system. The Constitution allows the Legislature to exclude from the definition of "new construction" constructing or adding any of the following property improvements: Any active solar energy system (Proposition 7, 1980); Any fire sprinkler system, as defined (Proposition 31, 1984); Any portion or structural component that makes the dwelling more accessible for a disabled or severely disabled person (Proposition 110, 1990 and Proposition 177, 1994); Seismic retrofit components (Proposition 23, 1984 and Proposition 127, 1990). The BOE states that for every \$1 million in rainwater capture system installed equates to \$10,000 in local revenue loss. SB 558 is League supported. **(SB 558/ Glazer and SCA 9/ Glazer)**

Increased Property Taxes: Public Libraries: Would allow locals to increase property taxes to fund library bond debt payments with 55% vote rather than 2/3rds requirement under current law. **(SCA 3/Dodd)**

TRANSIENT OCCUPANCY TAX

Transient Occupancy Tax (TOT): Report. MuniServices met with the author's staff on April 20, 2017 and was told AB 1644 is a spot bill with holding language. In its current, form AB 1644 would require locals that has imposed a TOT to annually report to the BOE the amount of TOT collected by the local for the previous calendar year. **(AB 1644/ Bloom)**

**UTILITY USER TAX**

Overtake Local Voter-Approved Utility User Taxes (UUT): Prohibits Video Streaming. AB 252 now a two-year bill, sets a dangerous precedent for cities and counties who have levied a UUT, and will directly impact 88 jurisdictions with a “video” provision. The UUT is a vital element in the funding of critical city services – including library, parks, police and fire protection. Cities receive between 15 and 30 of the general-purpose revenue from UUT policies, and many even provide exemptions for low income and elderly service users. The bill is opposed by coalition of local government stakeholders including the League and CSAC, labor including California Federation of Teachers and California Professional Firefighters, the California Cable and Telecommunications Association, to-date nearly 40 cities, MuniServices and others. Projections based on 2014-15 data estimate that as much as 20% of a city’s UUT revenue base could disappear, equating to nearly \$186 million annually statewide if the bill were enacted. AB 252 should be a concern to not only local governments with a UUT ordinance but any entity that relies on the revenue raising tools for local balloting. See www.NoOnAB252.org. **(AB 252/ Ridley-Thomas)**

MARIJUANA TRAILER BILL / LANGUAGE TO STOP ISSUING ID CARDS FOR MEDICAL MARIJUANA WILL IMPACT LOCAL REVENUES**Department of Consumer Affairs/ Proposed Budget Trailer Legislation**

http://www.dof.ca.gov/Budget/Trailer_Bill_Language/documents/200CannabisRegulationDraft.pdf

<http://www.latimes.com/politics/la-pol-sac-medical-recreational-pot-rules-rift-20170414-story.html>

The Governor’s proposed budget trailer bill for the 2017-18 is received with mixed reaction. MuniServices is reviewing the language and will work closely with stakeholders as the May Revision is released and budget deliberations begin. We want to focus on a provision that would stop the issuance of ID cards at the state level will have an effect of encouraging all consumers, regardless of why they use it to migrate to medical marijuana, on which local governments cannot impose sales tax. The League has confirmed that cities collected at least \$3.7 million in sales tax revenue in 2016. The California Department of Public Health reports that more than 6,000 California Medical Marijuana Identification Cards were issued in 2015, cards that individuals procured in their counties of residence. Governor Brown’s reports that “approximately 80 percent of cannabis patients do not currently use medical cannabis identification cards, but instead use their physician recommendation to purchase medical cannabis.” MuniServices is concerned this proposed change undermines the accountability of existing law, which ensures those eligible for a sales tax exemption have legitimate medical issues.

Medical and Nonmedical Regulation and Advertising: Among various provisions would specify that licensees under the MCRSA may operate for profit or not for profit; including provisions for when a retailer license may be issued for storefront locations and advertising. **(AB 64/ Bonta)**

Marketing to Minors: States the intent of the Legislature to introduce legislation relating to the prohibition of the marketing of adult-use marijuana to children. **(AB 76/ Chau)**

Collecting Cash for Cannabis Taxes: Authorizes the BOE or a county to collect cash payments from cannabis-related businesses, and allows a state agency to impose a “cash collection fee” to cover costs of collection. **(SB 148/ Wiener)**

TAX REFORM / MARKETPLACE FAIRNESS

Reducing Tax Rates: States intent for legislation to reduce tax rates in California. **(AB 1144/ Allen)**

Tax Reform: Creates the Joint Legislative Committee on Children and Youth to develop a framework for the care of children and youth of California. The committee also will be required to consult with experts and organizations in tax reform, academia, research institutes, business, labor and state tax entities to identify and propose “comprehensive tax reform that ensures sufficiency of revenues and revenue predictability” by November 30, 2020, and implementation by January 1, 2024, to pay for various programs relating to children. **(SB 18/ Pan)**



Broaden Tax Base: Makes legislative findings regarding responding to pending proposals for federal tax reform and California's tax climate and would state the the bill is to make 3 changes to taxation within the state, including broadening the tax base by imposing a modest sales tax on services. This bill would establish the Retail Sales Tax on Services Fund states the intent that moneys would be appropriated to provide tax relief to middle- and low-income Californians to offset the effect of a sales tax on services. In April 2015, the BOE released an estimate indicating that California's state and local governments may receive approximately \$122.6 billion in new revenue if tax was collected on services that are currently non-taxable. Of that amount, \$60.9 billion could go to the state, with \$61.7 billion for city, county, and other local government entities. The estimate assumes a statewide average sales tax rate of 8.42 percent. A BOE economist agreed that the estimates are extremely large and confirmed for MuniServices that the study included all services including rent, medical care, etc. <https://www.boe.ca.gov/news/2015/35-15-G.htm>. **(SB 640/ Hertzberg)**

Marketplace Fairness (2017): Federal bills on state remote sales taxation were reintroduced April 27. The Marketplace Fairness Act (MFA) of 2017 was introduced by U.S. Sens. Michael B. Enzi, R-Wyo., Richard J. Durbin, D-Ill., Lamar Alexander, R-Tenn., and Heidi Heitkamp, D-N.D., the same group of bipartisan lawmakers who introduced the 2015 version of the bill. Like the 2015 MFA bill, the 2017 version (number was not available at time of print) would allow states to collect sales and use taxes on online sales. It would exempt remote sellers with less than \$1 million in annual sales. The Remote Transactions Parity Act (RTPA) of 2017 is spearheaded by Reps. Kristi Noem, R-S.D., and John Conyers, Jr., D-Mich. The RTPA of 2017 would close the legal loophole [that] allows some online retailers to avoid collecting the sales tax due during a transaction" and protect small businesses.

TRANSPORTATION PACKAGE

Invests \$52.4 billion over the next decade - split equally between state and local investments. ACA 5 is the companion to SB 1 and provides the constitutional protections for revenues generated under SB 1.

<http://www.cacities.org/Resources-Documents/Policy-Advocacy-Section/Hot-Issues/Transportation-Funding/Summary-of-Transportation-Agreement-04042017.aspx> / <http://californiacityfinance.com/#TRANSPORTATION>

Funding

- 1.8 billion from a 12-cent increase to the gasoline excise tax and annual adjustments to the current base gas tax and increase for inflation (effective November 1, 2017).
- \$1.1 billion from ending the BOE "true up" and resetting the rate to the historical average of 17.3 cents per gallon, adjusted annually for inflation (effective July 1, 2019).
- \$1.6 billion from a transportation improvement fee, adjusted annual for inflation (effective Spring 2018).
- \$600 million from a 20 cent per gallon increase to the diesel excise tax, adjusted annually for inflation (effective November 1, 2017).
- \$300 million from a 4 percent increase to the diesel sales tax (effective November 1, 2017).
- \$20 million from new \$100-dollar Vehicle Registration Fee on zero emission vehicles model year 2020 and later, adjusted annually for inflation (effective July 1, 2020).
- \$706 million from Loan Repayments. \$706 million one-time funds for transportation loan repayments which will be repaid proportionately and in equal installments over three years.

Fix Local Streets and Transportation Infrastructure (50 percent)

- \$15 billion: in "Fix-It-First" local road repairs
- \$7.5 billion: improve local public transportation
- \$2 billion: to local "self-help" communities that make their own investments in transportation improvements
- \$1 billion: improve infrastructure that promotes walking and bicycling
- \$825 million: State Transportation Improvement Program local contribution
- \$250 million: local transportation planning grants.

**Fix State Highways and Transportation Infrastructure (50 percent)**

- \$15 billion in "Fix-it-First" highway repairs, including smoother pavement
- \$4 billion in bridge and culvert repairs
- \$3 billion to improve trade corridors
- \$2.5 billion to reduce congestion on major commute corridors
- \$1.4 billion in other transportation investments, including \$275 million for highway and intercity-transit improvements.

Local Streets and Roads: Expenditure Reports. Would modify the statutory deadline for filing streets and roads expenditure reports (also known as the Annual Road Report) with the SCO from the first day of October following the close of the local agency's fiscal year to seven months following the close of the local agency's fiscal year. In 2015 AB 341; Achadjian changed the deadline for local financial transactions reports from 90 days to seven months following the close of an agency's fiscal year. **(AB 636/ Irwin)**

LOCAL GOVERNANCE

Compensation of Utilities for Relocation Costs: Requires the state or a local government to reimburse a cable television corporation or operator for relocation costs incurred as a result of a construction project financed from any voter-approved bond, and adds cable operators to existing statutes governing assessment districts that are created for the purpose of converting overhead electric and communication facilities to underground locations. The analysis states that while most local governments have already adopted this policy and include such authorization in the measure authorizing the bond, that authorization may not include cable operators. **(AB 1146/ Quirk)**

Counties and Cities: Prohibits Contracts for Certain Services. AB 1250 is opposed by a coalition of local government stakeholders including MuniServices. As currently drafted, beginning January 1, 2018, would place restrictions on how local governments contract for personal services; requires locals to clearly demonstrate that the proposed contract will result in actual overall costs savings and to show that the contract does not cause the displacement of workers. AB 1250 also stipulates that employee benefit costs (such as CalPERS healthcare) cannot be a sole factor in justifying a contract for services. AB 1250 calls for extreme restrictions on local flexibility and exponential increases in costs and workload for local governments that are unreasonable. **(AB 1250/ Jones-Sawyer)**

Local Government: Taxicab Transportation Services: Shifts responsibilities from cities or counties, to counties to adopt an ordinance or resolution in regard to taxicab transportation service. Counties would be required to perform the specified responsibilities by entering into an agreement with the most populated city within its jurisdiction that regulates taxicab transportation service to perform the responsibilities on the county's behalf. **(AB 1069/ Low)**

Limits Local Discretionary Review: Wireless Telecommunications Facilities. Opposed by local government organizations, this bill would eliminate discretionary review for the installation of small cells, as defined, within the public right-of-way and utility easements, as well as anywhere within land use zones that include commercial or industrial uses. The bill would also prohibit cities and counties from precluding the leasing of their so-called "vertical infrastructure," including streetlights and stoplights, for the installation of wireless telecommunications facilities; and impose a cap developed for utility poles on the rents that cities or counties could charge for the use of their publicly-owned non-utility pole vertical infrastructure. The bill is League opposed. **(SB 649/ Hueso)**

Storm Water: School Facility Water Capture Practices: Local Partnership: Cities and counties are required to ensure stormwater discharges meet water quality standards, but many struggle to find adequate funding and open space sites needed to clean up the pollution. Because schools are not currently subject to a municipal separate storm sewer systems (MS4) permit, there are no standards or best practices for schools to follow to encourage their partnership. By partnering with local governments to capture and treat stormwater, schools can also improve their facilities for the benefit of their students. **(SB 541/ Allen)**

Local Government: Fees and Charges: Defines "Sewer" for the purposes of Proposition 218. SB 231 makes it easier for local agencies to finance projects capturing stormwater to reuse it, instead of letting the water run off and go to waste, provides legal clarity on the interpretation of Proposition 218 while maintaining the proposition's transparency and accountability guidelines. The measure allows local governments to finance and build projects that capture and clean stormwater just as easily as they can finance and build needed sewer facilities. **(SB 231/ Hertzberg)**

**TRANSPARENCY**

Ballot Printing Specifications: Clarifies existing law so that charter cities and charter counties would be required to disclose on the ballot statement of any bond measure, the amount of money to be raised annually and the rate and duration of the tax to be levied to pay for the proposed indebtedness. **(AB 195/ Obernolte)**

Municipal Code Violations: States the intent of the Legislature to include provisions that would increase the maximum fee a local government may fine for municipal code violations to \$500 per violation and to clarify that an initial warning need not be given prior to the imposition of a fine. **(AB 345/ Ridley-Thomas)**

Land Use Regulations: Local Initiatives: Voter Approval. This bill, in the case of an ordinance that would curb, delay, or deter growth or development within a city, require that an ordinance proposed by the voters or submitted by the legislative body of the city receive 2/3 of the votes cast on the ordinance to become effective. **(AB 943/ Santiago)**

Local Bond Measure Ballot Designations. Requires local bonds appearing on the ballot to include a statement that include a table showing examples of estimated tax liability if the bond passes, and to include language directing voters to the tax rate statement. **(AB 1194/ Dababneh)**

Fishing: Local Regulation: Prohibits a local agency from adopting or enforcing an ordinance to regulate fishing and would provide that this provision is declaratory of existing law; would authorize any person to bring an action against a local agency for a violation of this prohibition. **(SB 234/ Berryhill)**

County Voter Information Guide: Taxpayer Notice: Would require ballot pamphlets that are mailed to voters to include a notification that any new taxes approved by voters must be challenged within 60 days of that tax's approval. **(SB 348/ Leyva)**

Local Government: Special Districts: Mandates the creation of a comprehensive list of existing special districts in California; require that special district taxes will be listed on county property taxes; and will require special districts to submit statements of purpose that will identify what service the special district performs and how frequently. SB 448 is opposed by the Special Districts Association and California State Association of Counties. **(SB 448/ Wieckowski)**

Bond Transparency: Would require that prior to seeking authorization to issue bonds with a term greater than 13 months, the public entity proposing the bond must disclose certain information in a public meeting including the annual percentage rate; the finance charge, interest and transaction costs, the amount financed by the bond, and the sum total of all payments the taxpayers will have made by the time the full balance has been paid. **(SB 450/ Hertzberg)**

ECONOMIC DEVELOPMENT

California Competes Tax Credit / "Small Business" Definition: States intent to expand the definition of "small business" under the California Competes Tax Credit program to mean any business with 50 or fewer full-time equivalent employees, on average, in the current and two preceding tax years. The California Competes Tax Credit, the Sales and Use Tax Exemption, and the New Employment Credit were established in 2013 as part of a \$750 million replacement package of incentives for the California Enterprise Zones Program. **(AB 162/ Cervantes)**

California Environmental Quality Act: Exemption: Existing Transportation Infrastructure. Would exempt from the provisions of CEQA a transportation infrastructure project if meeting certain requirements (including does not add additional motor vehicle lanes except auxiliary lanes). **(AB 278/ Steinorth)**

Manufacturing and Research: Electric Power Generation. Current sales and use tax laws partially exempt tangible personal property purchased to be used primarily in manufacturing or other processes, and in research and development. Consumables with a useful life of less than one year do not qualify for exemption, and useful life is defined by reference to state income or franchise taxes. This bill would define useful life by reference to manufacturer or other warranties, maintenance contracts, and normal replacement as established by industry or business practices and would provide that those definitions would apply on and after July 1, 2014. **(AB 600/ Cooper)**

Los Angeles MTA / Enhanced Infrastructure Financing Districts (EIFD). Would authorize the LA MTA to create an enhanced infrastructure financing district. One reason a city or county may wish to create an EIFD is because the EIFD can capture property tax increment, which, if voters approve with 55% vote, can then be used to bond against for projects. With AB 1060, LA Metro would have the authority to create EIFDs to work in partnership with the City of Inglewood to create first-mile/last-mile solutions, and transportation management plans, while creating tax incentives to develop and invest in the Inglewood Station area. **(AB 1060/ Burke)**



Manufacturing Income Taxes: Credit: Jobs and Investment: Extends the partial exemption to July 1, 2030 from July 1, 2022 for certain personal property purchased used primarily in manufacturing or other processes, and in research and development. **(AB 1716/ Committee on Jobs, Economic Development, and the Economy)**

Manufacturing and Research: Useful Life: Electric Power Generation. Extends the exemption on manufacturing equipment from January 1, 2022, to July 1, 2030 to include property used in electricity generation, production, storage, or distribution of electric power, as defined, commencing January 1, 2018. According to BOE, the bill's expansion will result in revenue losses of \$41 million in 2018-19, and \$84.5 million in 2019-20. The bill's inclusion of the agricultural industry results in revenue losses of \$2 million in 2017-18, and \$4 million in 2018-19. **(SB 600/ Galgiani)**

HOUSING

Elimination of Mortgage Interest Deduction for Second Homes. Also increases the housing credit amount that may be allocated to low-income housing projects (up to \$300 million annually); increases the amount of low-income housing tax credits set-aside for farmworker housing from \$500,000 to \$25 million. **(AB 71/ Chiu)**

Planning and zoning: housing sustainability districts. Would authorize locals to establish by ordinance a housing sustainability district (HSD) to complete upfront zoning and environmental review in order to receive incentive payments for residential and mixed-use development projects with an affordable housing component. **(AB 73/ Chiu)**

Land Use: Zoning Regulations. Authorizes locals to establish inclusionary housing requirements as a condition of the development of residential rental units. The bill League supported. **(AB 1505/ Bloom)**

Affordable Housing Authorities/ Capturing Property Tax, Sales and Use Tax and Transactions and Use Tax: Allows a city or county to create an affordable housing authority to fund affordable housing, similar to a Community Revitalization and Investment Authority (CRIA). **(AB 1568/ Bloom)**

Recording Fees for Affordable Housing Use: Would enact the Building Homes and Jobs Act; imposes a fee of \$75 to be paid at the time of the recording of every real estate instrument, not to exceed \$225. Of the tax revenue, 20 percent is designated for "affordable owner-occupied workforce housing," and 10 percent for housing related to agricultural workers. **(SB 2/ Atkins)**

Bonds: Would enact the Affordable Housing Bond Act of 2018, and authorize the sale of \$3 billion in GO bonds, upon approval of the voters at the November 2018 statewide election, with proceeds used to finance various existing housing programs, as well as infill infrastructure financing and affordable housing matching. **(SB 3/ Beall)**

Residential density and affordability. Modifies the No Net Loss law to require local governments to maintain adequate housing sites at all times throughout its planning period, for all levels of income. Prohibits a local from permitting or causing its inventory of sites identified in the housing element to be insufficient to meet its remaining unmet share of the regional housing need for lower and moderate-income households. The bill is League opposed. **(SB 166/ Skinner)**

Blueprint for More Housing: League-sponsored. Streamlines the approval process to spur housing construction by having cities identify where housing needs to be built and adopting a specific, up-front plan; and, conducting all necessary environmental reviews and public engagement. SB 540 also ensures that local governments aren't able to alter a housing plan after it has been approved. **(SB 540/ Roth)**

Sales Tax for Affordable Housing: Imposes a statewide 0.25 percent sales tax to fund affordable housing and homeless shelter programs. In 2015, the BOE reported \$633.9 billion in taxable transactions in California, so a 0.25 percent tax would generate \$1.5 billion annually. **(ACA 11/ Caballero)**



PROPOSED FEDERAL TAX REFORM

<https://www.usmayors.org/2017/04/28/state-local-governments-urge-congress-to-preserve-state-and-local-tax-deduction-and-tax-exempt-municipal-bonds-in-tax-reform-efforts/>

The seven leading organizations that represent state and local governments at the federal level include the National Governors Association, National Association of Counties, National League of Cities, U.S. Conference of Mayors, International City/County Management Association, National Conference of State Legislatures and the Council of State Governments. The below is extrapolated from an April 4th letter to Congress urging the preservation of the State and Local tax deduction and the Municipal Bond Exclusion in tax reform efforts:

Protect State and Local Tax Deductibility: The deduction for state and local taxes paid was one of the six deductions allowed under the original tax code when it was enacted in 1913. Eliminating or capping federal deductibility for state and local property, sales and income taxes would represent double taxation, as these taxes are mandatory payments for all taxpayers. Elimination could also effectively increase marginal tax rates for certain taxpayers and shrink disposable income, potentially harming the U.S. economy. Finally, any alterations to the deduction would upset the carefully balanced fiscal federalism that has existed since the permanent creation of the federal income tax over 100 years ago. States and local governments deploy revenues from state and local property, sales and income taxes to help finance long term infrastructure projects, local law enforcement, emergency services, education costs and many other services. By eliminating the federal deductibility of these taxes, Congress would be shifting the intergovernmental balance of income taxation and could limit state and local control of our tax systems. Abolishing federal deductibility could also greatly constrain policy options available to states and local governments facing economic hardships and increased responsibilities due to the devolution of federal programs.

Preserve the Municipal Bond Interest Tax Exclusion: Tax-exempt municipal bonds have also been a fundamental feature of the United States tax code since 1913. Municipal bonds remain the primary method used by states and local governments to finance public capital improvements and public infrastructure projects – including our roads, bridges, schools, hospitals, water infrastructure and much more – which are essential for creating jobs, sustaining economic growth and improving the quality of life for Americans in every corner of this country. Any tax reform bill should not sacrifice – and drive up the costs – of one of our nation’s most effective methods of financing for critical infrastructure. States and local governments own and operate the vast majority of our nation’s infrastructure systems and invested \$3.8 trillion in infrastructure through municipal bonds from 2007 to 2016. The federal tax exemption reduces the cost of issuing municipal bonds, which is vital to taxpayers across the country who pay the interest and principle on municipal bond debt in exchange for investing in public, community assets. The letter acknowledges that the group believes it is not the intent of Congress to undermine the ability of states and local governments to meet the needs of the citizens we all serve through comprehensive tax reform and urges lawmakers to carefully consider any changes to the tax-exempt status of municipal bonds and the deductibility of state and local taxes, as both are essential tools for states and local governments across the country.

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