

**Assembly and Senate Budget Committees Meet on May 20 to Hear RDA Proposals**

The May Revision has two proposals that will impact cities that have outstanding loans to their former RDA; the May Revision disputes the interest paid back will. Also, there is a proposal to not recognize city-RDA reimbursements agreements as loans. Both the Assembly and Senate Budget Subcommittee (4) will hear this item this week on Wednesday, May 20; the League of Cities is leading a coalition of stakeholders to oppose this proposal. MuniServices will attend and participate in the hearings.

Triple Flip Unwinding

- *The unwind:* Bonds are “defeased” around **July 15, 2015** (possibly **August 2015**); the Department of Finance (DOF) alerts the State Board of Equalization (BOE)
- *BOE returning to 1%:* BOE then has **90 days** to return to the 1% local tax rate, but can only return to 1% on the **1st of the 1st month of a calendar quarter**; the earliest date the BOE can return to the 1% local tax rate then becomes **January 1, 2016**
- *First 1% allocation:* The first time the City or County would see 1% allocations is the 1st Advance portion of the **March 2016** payment
- *Calculating the in-lieu of sales tax:* Because the return to 1% allocations is so late in the year, the BOE will calculate the property tax in-lieu of sales tax in **January and May 2016** along with true ups and administrative fees covering **FY 2014-2015**
- *Property tax in lieu revenues:* Will be provided to local jurisdictions via their respective County as per current procedures for receipt of the property tax in lieu of sales tax process
- *Final true-up:* The State will need to make one final true-up after the end of the FY 2015-2016 (**June 2016**). This final true-up payment is planned to come from the **DOF** directly to cities and counties in **August 2016**

Sales Tax

- Raises the cap on the local transactions and use tax from 2% to 3% above the statewide base rate (**AB 464/ Mullin**)
- Prohibits revenue sharing agreements causing loss to other locals; public notice requirements (**SB 533/Pan**)
- Broaden the tax base by imposing a sales tax on services; current version does not allow an increase sales tax on services for local voter-approved district taxes (**SB 8/ Hertzberg**)
- Use tax collection/ revisiting Quill. Federal Marketplace Fairness Act of 2015 would permit states to require vendors with more than \$1 million in gross receipts from remote sales to collect sales tax on purchases made by state residents if the state adopts and implements specified simplification requirements (**S. 698**)
- Sales tax exemption for qualified vehicles to out of state residents (**SB 680/ Wieckowski**)
- Expansion and extension of partial exemption for manufacturing and R&D with local certification requirements (**AB 1090/ O'Donnell**)
- *Understanding California's Sales Tax* was published by the Legislative Analyst's Office
<http://lao.ca.gov/reports/2015/finance/sales-tax/understanding-sales-tax-050615.pdf>

Jet Fuel

- FAA re-interpretation of a ruling in 11/2014 that requires states and locals to target jet fuel revenue for the benefit of airports, or lose revenues; must comply by 2017; locals should weigh in as appropriate; (**SB 747/ McGuire**) proposes to establish annual allocations from the account to fund airports and aviation-related infrastructure
- Aviation in California: Fact Sheet (4/ 2015)/ www.dot.ca.gov/hq/planning/aeronaut/documents/AeroFactSheet.pdf

Gas Tax / Alternative to the Gas Tax Study

- Changes the method (to 4 years of historical data) used by the BOE to adjust the excise tax on fuel each year as part of the “gas tax swap”; attempts to reduce the volatility of revenues received by local governments (**SB 321/ Beall**)
- Study on a road usage charge alternatives to the gas tax that was established by **SB 1077 (Chapter 835, Statutes of 2014)**. Upcoming public meetings (including May 28, 2015 in Fresno) can be viewed via webcast (<http://catc.ca.gov>)



Post Redevelopment

- Several bills including the use of 2011 bond proceeds for affordable housing (**AB 974/ Bloom**)
- Enhanced Infrastructure Financing Districts (**AB 313/ Atkins**)

Hotel Taxes and Short Term Rentals

- Advertiser of an online platform or Internet Web site must have property owner's permission; will be subject to evictions without permission (**SB 761/ Hall**)
- Requires vacation rental businesses to comply with local ordinances (**SB 593/ McGuire**)

Transportation Taxes

- Provides increase in various transportation related taxes to fund roads, bridge repairs and freight mobility at ports; among other provisions sets aside 5 percent of revenue to support counties that pass sales and use taxes to fund transportation projects after July 1, 2015 (**SB 16/ Beall**)

Utility Users Tax

- State Budget and BOE rulemaking for implementing **AB 1717 (Chapter 885, Statutes of 2014)** for the collection of local UUT revenues from prepaid mobile telephony services; Legislature to consider budget for implementing
- The Internet Tax Freedom Act expires in October of 2015; seek amendment language to protect the pre-emption of California's locally adopted UUT's that include "telecommunication services," used to access the Internet (**S. 431**)
- Digital Goods and Services Tax Fairness Act would reduce state and local revenues by pre-empting the taxation of purchases such as downloaded music, movies and online services (**S. 851**)
- Wireless Telecommunications Tax and Fee Collection Fairness Act of 2015 (**HR 1084**)

Local Governance

- Reusable grocery bags and recycled paper bag fee exemptions (**AB 1136/ Steinorth**)
- Medical marijuana and regulating (**AB 266/Cooley**); Marijuana enforcement and regulation (**AB 34/ Bonta**)
- Parking: car share vehicles; local ordinance to set up mechanism for payment (**AB 1015/Bloom**)
- Automated license plate recognition systems/ requirements for local agencies for use of data (**SB 34/Hill**)
- Private parking facilities; authorized uses included in ordinances (**AB 451/Bonilla**)
- Franchise Tax Board City Business Tax Program; data exchange, expand program to counties (**AB 279/ Dodd**)
- Relates to formulas for calculating VLF adjustments to include the assessed property valuation within inhabited territory annexed to cities (**AB 448/ Brown and SB 25/ Roth**)
- Extends time period for fiscal transaction reporting from 110 days to 7 months (**AB 341/ Achadjian**)
- Pre-empt state and local taxing authority to impose supposed 'discriminatory' taxes on automobile rentals and property related to renting automobiles (**H.R. 1528**)
- Enacts the Safe Neighborhood Parks, Rivers, and Coastal Protection Bond Act of 2016, which places a \$2.45 billion bond on the November, 2016, ballot (**SB 317/ De Leon**)
- Requires a LAFCO to review a contract or agreement for new or extended fire service outside of an existing service area (**SB 239/ Hertzberg**)