

SELECTED FEDERAL AND STATE LEGISLATION

Section 1: Sales and Use Tax

Exemptions with State & Local Revenue Impact

- Disaster preparedness products for a two-day period in 2017: Loss of \$5.1 million (**AB 1562/ Kim**)
- Nonprofit construction materials until 2020: Loss of \$270,000 (**AB 2518 /Gomez**)
- Property sold at the Jimmy Doolittle Air and Space Museum Education Foundation (San Diego): Pending revenue impact (**AB 724/ Dodd**)
- Diapers designated size 3 or under until 2022: Loss of \$36.3 million (**AB 717/Garcia**)
- Feminine hygiene products until 2027: Loss of \$20 million (**AB 1561/Garcia**)
- Animal blood sold for injury and disease prevention or treatment: Loss of \$158,000 (**SB 898/ Nguyen**)
New cars bought in the State by a non-resident that is permanently moved and used outside the State within 30 days: Loss of \$25,000 noting revenue impact is dependent on taxpayer behavior (**SB 680/Wieckowski**)

Additional Sales Tax Related Measures from 2016

- Intent for legislation to expand retail sales tax to services (**SB 1445/ Hertzberg**)
- The Remote Transactions Parity Act would not impose a new tax, but enable state and local governments to compel retailers to collect and remit sales taxes on online sales (**HR 2775**)

Section 2: Hotel Tax and Short-Term Rentals

SB 133 (McGuire) is a gut-and-amend to set up a mechanism to allow locals and on-line platforms to 'opt in' a process for the collection of TOT revenues. SB 1102 (McGuire) 'died' in the Senate and proposed to create a method that would allow online platforms ("collecting platforms") to elect to participate and collect TOT revenues and then return the revenue to locals; State Controller is the responsible agency for developing guidelines. Concerns include local control, data maintenance and auditing provision.

Section 3: Property Tax

- Exemption for residences of persons 65 or older from having the Proposition 13 base-year value increased for inflation (**SB 1126/ Stone**)
- Increases the welfare exemption for non-publically financed affordable housing (**SB 996 / Hill**)
- Senior and disabled veterans exemption and assessment freeze; annual revenue loss of \$73.6 million (**SB 1104/ Stone**)
- Exemptions for disabled veterans; annual revenue loss of \$127,000 for every 100 newly-qualified disabled veterans (**SB 1458/Bates**)
- Property tax postponement for senior citizens and disabled citizens (**AB 1952/ Gordon**)
- Prohibits the division of revenues derived from property tax override rates approved by the voters (**SB 975 / Senate Governance & Finance**)
- Allows a transfer for a seniors home's base-year value to a new principal residence, regardless of the new property's value (**AB 2688/ Mullin**)

Section 4: Utility User Tax

- The permanent Internet Tax Freedom Act ban was signed into law. Senator Feinstein notified ranking members with concerns that a permanent prohibition would hurt local governments, especially in California; the Senator asked for consideration to protect existing voter-approved taxes on telecommunication networks. The adverse impact of ITFA on UUT continues, as traditional local exchange is gradually being replaced by broadband networks.
MuniServices should have data at the end of 2016 to indicate: whether prepaid wireless revenues are likely to off-set some of the losses due to ITFA; and whether other adverse impacts can be mitigated by a definitive "bundling" administrative ruling addressing the proper valuation of taxable and non-taxable services (e.g., internet access) when bundled under a single price.
- Sellers of de minimus sales of prepaid MTS (AB 1717/ 2014) are not required to register with the BOE (**SB 1481**)
- Anticipated State Budget (AB 1717/2014) funding for 3.7 positions and \$1.3 million in 2016-17, and 2.3 positions and \$188,000 in 2017-18 (funding expires January 2020).

Section 5: Cannabis / Marijuana

- Removed the MMRSA provisions to grant the Department of Food and Agriculture the licensing authority for medical marijuana authority cultivation if a local regulation was not in effect as of March 1, 2016 **(AB 21/ Bonta - Chaptered)**
- A tax penalty amnesty for April 1, 2017 to September 30, 2017 for medical cannabis dispensaries to begin to comply with the tax laws; depending on participation estimated one-time revenue increase of \$52.8 million (50% compliance); \$79.2 million (75% compliance); or \$105.6 million (100% compliance) **(AB 567/Gipson)**
- Excise tax of 15 percent on medical marijuana for the consumption or use of this marijuana purchased from any retailer in California (refer to policy report for revenue allocation) **(SB 987/ McGuire)**
- Allows the BOE to accept cash, check or credit card payments for cannabis businesses **(AB 821/ Gipson)**
- **Control, Regulate and Tax Adult Use of Marijuana Act** (Pending 1762. (15-0103)). What is taxed: Imposes state and excise tax on retail sales of marijuana equal to 15% of sales price, and cultivation taxes on marijuana of \$9.25 per ounce of flowers; \$2.75 per ounce of leaves. Revenue: Upwards of \$1 billion annually (this is in addition to the sales and use tax imposed by the State and locals).
- <http://www.muniservices.com/services/cannabis-support-services/>

Section 6: Economic Development / RDA

- League sponsored to improve AB 2 (from 2015) that created a new form of redevelopment (IFD) **(AB 2492 /Alejo)**
- Revise process for the disposal of assets and properties; opposed by the League **(AB 2697/ Bonilla)**

Section 7: Transportation Funding – Special Session

- MuniServices is a “Fix Our Roads” partner. The coalition’s “Roadmap to Consensus” is the locals’ framework for transportation improvement. California locals estimate a shortfall of \$78 billion in deferred maintenance.
- The State Transportation Commission is expected to cut \$754 million in projects and delay \$755 million in projects due to the gas tax revenue decline.

- Earlier this year the BOE reduced the excise tax on gas by 2.2 cents which reduced funding by \$328.2 million.
- From a revenue perspective the “Roadmap to Consensus” includes: increase in gas excise tax by 12 cents (phased over three years) for \$1.8 billion annually; increase diesel tax by 11 cents for \$300 million annually, creates a road access fee of \$65 for \$2 billion annually, imposes a zero emission vehicle fee of \$100 for \$10 million, increases diesel sales tax rate from \$1.74% to 5.25% for \$300 million.

Section 8: Additional Proposals

- **Parking meters:** Deletes the 2017 sunset prohibiting locals from ticketing cars at broken meters; prohibits cities from providing quota or revenue incentives when contracting for private enforcement **(AB 2586/ Gatto)**
- **Retail wages:** Certain grocery and retail stores would be required to pay at least two times the regular rate of pay to an employee for work over a Thanksgiving holiday **(AB 67/ Gonzalez)**
- **Environmental justice plan:** Add to the required elements of the general plan an environmental justice element that identifies disadvantaged communities **(SB 1009/ Leyva)**
- **Local ballots:** Requires local governments to provide an impartial analysis for local ballots (75 words or less) in the format of “What does a yes vote mean?” and “What does a no vote mean?” **(AB 2265 /Stone)**
- **Transparency:** Requires local governments to post a direct link to their meeting agenda online **(AB 2257/ (Maienschein)**
- **Affordable housing:** Dedicates a portion of state savings resulting from the elimination of redevelopment to address local affordable housing needs **(AB 2743/ Atkins)**
- **Zoning for multi-family units and parking:** Requires by ordinance for the creation of second units in single-family and multifamily residential zones; prohibits cities from imposing parking standards if the second unit is located within one-half mile of public transit or shopping or in an architecturally and historically significant area **(AB 2299/ Bloom)**

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Prepared June 10, 2016