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CHAPTERS

- Prohibits locals from imposing a fine on residents for a brown lawn during a state of emergency **(AB 1/ Brown)**
- Locals can set up designated spots for car sharing or ride sharing programs **(AB 1015/Bloom)**
- Permits locals to authorize private parking facilities to regulate unauthorized parking **(AB 451/Bonilla)**
- Extends the FTB state-local tax information sharing program to counties, and to a city and county **(AB 279/ Dodd)**
- Extends to 7 months after a locals fiscal year the deadline to submit to the Controller an annual report of the agency's financial transactions **(AB 341/ Achadjian)**
- Advertiser of an online platform or Internet Web site must have property owner's permission **(SB 761/ Hall)**

LEGISLATION

Sales Tax

- Prohibits revenue sharing agreements causing loss to other locals; public notice requirements **(SB 533/Pan)**
- Sales tax exemption for energy or water efficient appliances provided at no cost to low income participants in an energy efficient program; \$4.5 million state and local loss & precedent **(AB 88/ Gomez)** *(Governor's Desk)*
- Proposed to raise the cap on the local transactions and use tax from 2% to 3% above the statewide base rate **(AB 464/ Mullin)** *(Vetoed)*
- Raises the transactions and use taxes cap for the County of San Mateo / Transportation Agency for Monterey County **(AB 705/ Hill)**

Post Redevelopment & Economic Development

- Revisions to post-redevelopment dissolution; opposed by the League and several locals **(AB 113)**
- Allows redevelopment successor agencies to spend proceeds from bonds issued in 2011 **(AB 974/ Bloom)**
- Enhanced Infrastructure Financing Districts; clarifying implementation **(AB 313/ Atkins)** *(Governor's Desk)*
- Offers a 30 % tax credit for seismic rehabilitation of endangered properties **(AB 428/ Nazarian)**
- Allows locals to form Community Revitalization and Investment Authorities to administer economic development and affordable housing programs **(AB 2/ Alejo)**

Hotel Taxes & Short Term Rentals

- Relative to travel reimbursement; prohibits a State agency from prohibiting state employees from using a transportation network or using a short-term rental **(AB 229/ Chang)**



Cannabis Regulation & Banking

- Regulate medical marijuana (**AB 266/Bonta & SB 643/ McGuire**)
- Framework for regulation and allows the BOE to tax medical cannabis (**AB 243/ Wood**)
- The U.S. Senate Appropriations Committee in July voted 16-14 to approve an amendment to **H.R. 2076**, the Marijuana Businesses Access to Banking Act of 2015 that would block the use of federal dollars to punish banks serving marijuana companies that operate legally under the guidelines of state law
- **AJR 25 (Lackey)** is a proposed non-binding California resolution that urges the President and Congress to support legislation that allows banks & credit unions to perform financial services for marijuana businesses
- http://ballotpedia.org/California_2016_ballot_propositions for detail on proposed statewide ballot measures

Documentary Transfer Chargers

- Related to transferors of real property to include information about transfer charges on documents which a documentary transfer fee is imposed (**AB 807/ Stone**)

Transportation Revenues

- Increase various transportation revenues for 5 years for \$4.3 to \$4.6 billion annually; focuses on preservation and maintenance of existing programs. Revenue sources include excise tax on diesel and fuel, VRF for all vehicles (including electric) and Road Access Fee (**SBx11 & SB 16/ Beall**)
- Increases SUT on diesel from 1.75% to 5.25%. Revenues go to transit via formula (State Transit Assistance Formula) (**ABx1 8/ Chiu & Bloom and SB x1 7/Allen**)
- Doubles cap and trade appropriations for Transit and Intercity Rail Program (to 20%) and Local Carbon Transit Program (to 10%) (**ABx1 7/ Nazarian & SB x1 8/ Hill**)
- **Others:** ABx1 1 / Alejo related to weight fees; SB x1 11/ Berryhill for a CEQA exemption; (ABx1 2/ Perea & SBx1 14/Canella) related to public private partnerships; SCAX1 1 & SCA 7/ Huff that provide constitutional protections; and ABx1 3 & ABx1 4/ Frazier related to transportation funding
- Changes the method (to 4 years of historical data) used by the BOE to adjust the excise tax on fuel (**SB 321/ Beall**)

Open Government & Technology Uses

- Automated license plate recognition systems/ requirements for locals (**SB 34/Hill**) (*Governor's Desk*)
- Requirements for local governments' for 'open data' public records format (**AB 169/ Maienschein**) (*Governor's Desk*)

Local Governance

- Relates to formulas for calculating VLF adjustments to include the assessed property valuation within inhabited territory annexed to cities (**SB 25/ Roth**) (*Governor's Desk*)
- Allows a county (subject to voter approval) to impose a tax for the privilege of distributing cigarettes and tobacco products (**SBX29/ McGuire**)

BOE BUSINESS TAXES COMMITTEE /PROPOSED REGULATION FOR PREPAID MOBILE TELEPHONY SERVICES (SEPTEMBER 16)

Proposed Prepaid Mobile Telephony Services Regulations 2460, 2461, and 2462; Proposed amendments to Emergency Telephone Users Surcharge Regulations 2401, 2422, and 2413

<http://www.boe.ca.gov/meetings/pdf/PrepaidMTSIPweb091615.pdf>

The BOE's Business Taxes Committee on September 16, 2015 will consider proposed regulations to implement a local government sought mechanism in AB 1717 (Chapter 885, Statutes of 2014) to collect revenues from prepaid wireless. It is estimated that AB 1717 will result in a 15 to 20% increase in existing wireless Utility Users Tax (UUT) noting that resulting will vary depending on the demographics of a city and the number of larger retail stores there. The BOE recently sent a contract and other documents to local governments that must be signed by a City before the BOE will collect the City's UUT on prepaid wireless. MuniServices is assisting its client cities in satisfying those statutory requirements in time for the January 1, 2016 commencement date. Please contact your MuniServices Client Service Manager for additional information.

**BOE CLASS ACTION SETTLEMENT (MOHAN VS. DELL)**

On August 4, 2015 the BOE sent a 'courtesy notice' to cities regarding refunds under a settlement (Mohan vs. Dell Inc. Class Action). The refunds will result in an indirect de-allocation of local tax from each Countywide Pool and de-allocation of district tax to affected Special Taxing jurisdictions. Each jurisdiction's cash distribution (August and December 2015) will be reduced by amount of the de-allocation from their respective countywide pool. Only those jurisdictions estimated to be negatively affected by \$50,000 or more were notified of the specific amount of the de-allocation. Requests to the BOE for more detailed information associated with all countywide pools have been made but to date no response has been received. We recommend that clients wanting more detail call the designated number at the BOE at 916.445.7767.

PROPOSED INTERNET TAX FREEDOM ACT (S 431)

Background: A permanent Internet Tax Freedom Forever Act, as proposed, would have a very significant adverse impact on cities' existing UUT on telecommunications. In 2007, the federal moratorium forbidding local and state taxes on Internet services was amended to also forbid such taxes on telecommunication services which are used to gain access to Internet services (in other words, broadband telecommunications). Today, wired and wireless broadband telecommunication networks are rapidly replacing the old public switched telecommunication network. **Issue:** Unless S 431 is amended, California UUT cities will suffer large losses of existing telecom UUT. **Advocacy:** A number of California cities are banding together to urgently request their two US Senators that S.431 be amended to include an exception for voter-approved excise taxes, like our UUTs. California is the only state with a voter-approval requirement and that has local excise taxes on telecommunications. Such an amendment would prevent a federal pre-emption or override of our state Constitutional requirement of voter-approved local taxes. **Advocacy:** The current ITFA ban moratorium is due to expire at the end of this month. Recent conversations indicate that Congress may adopt a short-term moratorium extension that may be included if a "continuing appropriations resolution" is approved later in the month. The fiscal year is the accounting period of the federal government, which runs from October 1 to September 30 of the following year. When Congress and the President fail to agree on and pass one or more of the regular appropriations bills, a continuing resolution can be passed instead.

REMOTE TRANSACTION PARITY ACT (HR 2775)

Issue: There are multiple proposals before Congress that attempt to advance online sales tax collection. The current tax structure for online sales creates vast disparities between brick and mortar businesses and online retailers, and costs state and local governments an estimated \$23 billion per year in taxes owed on remote sales. HR 2775, The Remote Transactions Parity Act, is bipartisan legislation that would not impose a new tax, but would enable state and local governments to compel retailers to collect and remit sales taxes on online sales, which are already owed to them under current law. HR 2775 is similar to the proposed Federal Marketplace Fairness Act of 2015 (S. 698) that 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. **Advocacy:** S. 698 and HR 2775 are supported by MuniServices. MuniServices attended the GFOA's August 12 hosted webinar on the topic. Dustin McDonald, the GFOA's Federal Liaison Director is asking for advocacy assistance that includes increasing co-sponsorship for HR 2775 (there are currently 46 co-sponsors) and drafting support letters for HR 2775. The GFOA's Federal Liaison Center resources can be found at <http://www.gfoa.org/flc>.

GASB RULE REQUIRING GOVERNMENTS TO SHOW VALUE OF TAXES WAIVED UNDER AGREEMENTS WITH BUSINESSES OR TAXPAYERS

Issue: The *Wall Street Journal* on August 4, 2015 reported on a rule approved by the Governmental Accounting Standards Board, requiring government officials to show the value of property, sales and income taxes that have been waived under agreements with companies or other taxpayers. The rule is in effect next year. See <http://www.wsj.com/articles/new-rule-to-lift-veil-on-tax-breaks-1438725046>.



GAP BETWEEN GOODS AND SERVICES

Senator Hertzberg introduced SB 8 earlier this year that is placeholder language to broaden the tax base by imposing a sales tax on services. The discussion and action on this bill is expected to continue during the 2016 Legislative Session. The *Wall Street Journal* last month reported on the gap between goods and services. Examples cited of the cumulative change for related products and services for the five years ended in May 2015:

- Television set (-57.7); cable / satellite service (13.7)
- Bottle of wine @ home(-0.6); bottle of wine @ restaurant (12.0)
- Men's suits and coats (-3.7); dry cleaning (9.2)
- Household cleaning products (0.3); household domestic service (7.8)
- Stationary (-1.4); postage for mail delivery (19.2)
- Sports equipment (-15.3); tickets to sporting event (17.3)

APPLICATION OF THE FAA RULING AND IMPACT ON THE USE OF LOCAL REVENUES

Issue: A FAA re-interpretation of a ruling that requires states and locals to target jet fuel revenue for the benefit of airports, or lose revenues has a compliance requirement of 2017. The rule does not apply to taxes in effect on December 31, 1987 including the local Bradley Burns 1.25% rate or the 4.75% state general fund rate in effect at the time. Refer to California City Finance at <http://californiacityfinance.com/FAA150701.pdf> for a broader analysis on the ruling. **Advocacy:** Jurisdictions that are impacted should contact their Congressional Representatives and federal lobbyists as soon as possible with concerns.

INTEREST DUE BY SEPTEMBER / MANDATE REIMBURSEMENTS

Principal and Interest Payments: The DOF sent an "executive order" to the State Controller for the reimbursement of costs incurred in complying with state unfunded mandates prior to 2004. The Controller issued payments for the principal owed (around June 22) and payment for the interest owed is expected by September 2015, after the Controller's office recalculates and verifies amounts estimated by DOF.

CALIFORNIA 2016 BALLOT PROPOSITIONS

According to Ballotpedia, an interactive almanac of U.S. politics, to date, four statewide ballot propositions have been certified for the 2016 ballot in California. One legislative referral is on the June 7, 2016, primary ballot and one is on the November 8, 2016, general election ballot. Additionally, one initiative and one veto referendum are on the general election ballot. As of August 13, 2015, several measures have been approved for circulation. Once the Office of the Attorney General of California has prepared a ballot title and a summary of a proposed initiative, the initiative is considered to be "cleared for circulation." Its supporters then have 150 days from the date that the title and summary were prepared to collect and submit to election officials the required signatures. See http://ballotpedia.org/California_2016_ballot_propositions.

STATE TRAFFIC AMNESTY PROGRAM/ UNPAID TRAFFIC TICKET FINES

The Court Executives Advisory Committee and Judicial Council staff is recommending approval of the Statewide Traffic Tickets/Infraction Amnesty Program Guidelines developed for use by court and county collection programs statewide in the implementation of the one-time amnesty program, as authorized by Vehicle Code section 42008.8. The amnesty program provides relief to individuals with violations of eligible Vehicle and non-Vehicle Code infractions and specified misdemeanors by reducing outstanding court-ordered debt by 50 or 80 percent (as applicable) and/or reinstating suspended driver's licenses. The 18-month amnesty program will operate from October 1, 2015 to March 31, 2017. <http://www.courts.ca.gov/trafficamnesty.htm>



CONFERENCES AND MEETINGS / MUNISERVICES PARTICIPATION

- September 15**, Sacramento. **BOE Business Taxes Committee.** *Participation: MuniServices VP of Government Relations Fran Mancía will provide comments on AB 1717's proposed regulation (prepaid wireless collection mechanism)*
- September 27**, Seattle. **ICMA Annual Conference.** *Participation: Attendee*
- September 30**, San Jose. **League of California Cities.** *Participation: Exhibitor and Platinum Partner. MuniServices Client Manager Julia Erdkamp will present during a session on revenue recovery strategies and tax reform; Fran Mancía will participate in a Partner Speaker Theatre session on tax reform concepts*
- October 14**, Burbank. **CMRTA.** *Participation: Sponsoring the Conference opening reception, and Exhibitor. Fran Mancía will present a comprehensive legislative update*
- October 14**, Sacramento. **MMANC.** *Participation: Attendee and Sponsor*
- November 13**, Laguna. **Contract Cities.** *Participation: Attendee and Sponsor*
- December 1**, San Diego. **Municipal Financial Institute.** *Participation: Sponsor and Exhibitor. Julia Erdkamp and MuniServices Client Manager Bret Harmon will focus on using data analytics to improve economic decision-making and public engagement*

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