



Clients,

The California Legislature concluded the 2015 Regular Session on Friday evening. October 11 is the last day for Governor Brown to sign or veto bills. On October 15, representatives from MuniServices will present a comprehensive policy review during the California Municipal Revenue and Taxation Association (CMRTA) Annual Conference in Burbank. At that time the disposition of bills will be known. The presentation and final policy report will be distributed to clients and posted on MuniServices' website. Please let us know if you need further clarification on the issues reported below or others. We can also assist with city-specific impact from these measures. We also look forward to seeing you soon at the League of California Cities Annual Conference in San Jose. This report includes:

- Section 1: Legislative Review of *Selected Measures*
- Section 2: BOE Business Taxes Committee /Regulation for Prepaid Mobile Telephony Services (September 16)
- Section 3: Proposed Internet Tax Freedom Act (S 431) / Due to Expire September 30

## SECTION 1: LEGISLATIVE REVIEW

### Sales & Use Tax

#### *Governor's Desk*

- **Prohibits revenue sharing agreements** causing loss to other locals; public notice requirements; recent amendments specifies the bill does not apply to mutual tax revenue sharing agreements between locals where the agreement would not direct payment or rebate of revenues to a retailer (**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**)
- **Subjects convicted sellers and convicted purchasers to liability for the sales and use tax** on any non-retail sale or any purchase of goods associated with a counterfeiting offices (**AB 160/ Dababneh & Cooper**)

#### *Two-Year*

- **Broaden the tax base by imposing a sales tax on services**; does not allow an increase sales tax on services for local voter-approved district taxes (**SB 8/ Hertzberg**)
- **Authorizes a customer to file a claim for refund of excess sales and use tax** paid by the customer in an amount of \$1,000 or greater, allowing the BOE to make a direct refund to the customer (**SB 640/ Beall**)

### Local Voter-Approved Revenues

#### *Governor's Desk*

- **LAMTA**: Allows the LAMTA to ask voters to approve a sales tax increase in excess of the general 2 percent on local sales taxes (**SB 767/de León**)
- **San Mateo/ Monterey County**: Raises the transactions and use taxes cap for the County of San Mateo / Transportation Agency for Monterey County (**AB 705/ Hill**)
- **Isla Vista Community Services District**: Prescribes a formation process, boundaries, governing body, tax authority, and permissible services; allows the district to propose a UUT (**AB 3/ Williams**)

#### *Vetoed*

- **Increase TUT cap**: Proposed to raise the cap on the local transactions and use tax from 2% to 3% above the statewide base rate (**AB 464/ Mullin**)

#### *Special Session*

- **Local tax for distributing tobacco**: Allows a county (subject to voter approval) to impose a tax for the privilege of distributing cigarettes and tobacco products (**SBX29/ McGuire**)



## Business License

### *Chaptered*

- **Tax sharing program:** Extends the FTB state-local tax information sharing program to counties, and to a city and county

## Post Redevelopment

### *Governor's Desk*

- **Gut and amend:** Several revisions to post-redevelopment dissolution with issues related to the use of 2011 bond proceeds for affordable housing (former AB 474/ Bloom), the transfer of real property, the interest rate reduction on loans from cities to successor agencies, and others (**SB 107/ Committee on Budget**)
- **Seismic retrofit/ tax credit:** A 30 % tax credit for seismic rehabilitation of endangered properties (**AB 428/ Nazarian**)

## Economic Development

### *Governor's Desk*

- **Allows locals to form Community Revitalization and Investment Authorities** to administer economic development and affordable housing programs (**AB 2/ Alejo**)
- **Enhanced Infrastructure Financing Districts:** Clarifying implementation (**AB 313/ Atkins**)
- **Greenways:** Promotes economic development by providing government agencies and non-profit organizations to acquire easements for developing greenways along urban waterways (**AB 1251/ Gomez and double joined with AB 668/ Gomez**)

## Shared Economy

### *Governor's Desk*

- **Short-term rentals:** Prevents state agencies from prohibiting state employees traveling on official state business from using transportation network companies or lodging in a short-term rental (**AB 229/ Chang**)

### *Chaptered*

- **Advertiser of an online platform or Internet Web site:** Must have property owner's permission (**SB 761/ Hall**)

## Cannabis Regulation & Banking

### *Governor's Desk*

- **Enacts the Medical Marijuana Regulation and Safety Act:** Includes local provisions with respect to ordinances, permits, licensing requirements, establishes the Bureau of Medical Marijuana Regulation, and more (**AB 266/Bonta**)
- **Creates a regulatory framework for the cultivation, sale, and transport of medical cannabis** by the Bureau of Medical Marijuana Regulation, the Department of Food and Agriculture and other state entities (**SB 643/ McGuire**)
- **Establishes a regulatory program for cultivation of medical cannabis:** Includes local provisions with respect to ordinances and issuing or denying permits for cultivation (**AB 243/ Wood**)
- **A 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 (**AJR 25/Lackey**) (Enrollment)

## Documentary Transfer Chargers / Property Taxation

### *Governor's Desk*

- **All private transfer fees:** Must be disclosed to transferors of real property on related documents (**AB 807/ Stone**)

### *Two Year*

- **Commercial and industrial property reassessment "split roll"** (**AB 807/ Stone**)

Open Government & Technology Uses*Governor's Desk*

- **ALPR:** Automated license plate recognition systems/ requirements for locals (**SB 34/Hill**)
- **Open data:** Requirements for local governments' for 'open data' public records format (**AB 169/ Maienschein**)
- **Related to process for contracts:** Requires local agencies that have adopted a Civic Openness in Negotiations (COIN) ordinance for their labor contracts to use a similar process to evaluate, negotiate, and approve specified goods or services contracts valued at \$250,000 or more; League opposed (**SB 331/ Mendoza**)

Local Governance*Governor's Desk*

- **VLF adjustments:** Relates to formulas for calculating VLF adjustments to include the assessed property valuation within inhabited territory annexed to cities (**SB 25/ Roth**)
- **Wireless facilities:** Requires a collocation or siting application for a wireless telecommunications facility to be deemed approved, if specified conditions are met, and applies these provisions to all counties and cities, including charter cities; League opposed (**AB 57/ Quirk**)
- **Estimates of organic waste generated:** Requires local governments to include organic waste recycling facilities in the existing planning requirements for countywide solid waste management; CSAC opposed (**AB 876/ McCarty**)
- **Electric vehicle charging programs:** Requires locals to create an expedited permitting and inspection process for electric vehicle charging stations (**AB 1236/ Chiu and Low**)
- **Williamson Act/ open space:** Ensures locals that have established their own Williamson Act cancellation fees have the opportunity to weigh in on decisions that affect their communities and revenues (**AB 707/ Wood**)

*Chaptered*

- **Brown lawns:** Prohibits locals from imposing a fine on residents for a brown lawn during a state of emergency (**AB 1/ Brown**)
- **Car sharing spots:** Locals can set up designated spots for car sharing or ride sharing programs (**AB 1015/Bloom**)
- **Private parking:** Permits locals to authorize private parking facilities to regulate unauthorized parking (**AB 451/Bonilla**)
- **Local financial reports:** 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**)

Transportation Revenues*Special Session and Inactive*

- 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**)

**SECTION 2: BOE BUSINESS TAXES COMMITTEE /PROPOSED REGULATION FOR PREPAID MOBILE TELEPHONY SERVICES (SEPTEMBER 16)**

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.

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>



**SECTION 3: PROPOSED INTERNET TAX FREEDOM ACT (S 431) / DUE TO EXPIRE SEPTEMBER 30**

**Update:** 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. **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. Unless S 431 is amended, California UUT cities will suffer large losses of existing telecom UUT. 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.