



SELECTED LEGISLATIVE PROPOSAL REVIEW & ISSUE UPDATE

- **Selected Proposals:** Sales and Use Taxes, District Taxes, Sales Tax Reform/ Property Taxes, Documentary Transfer Taxes, Parcel Taxes/ Business Licensing/ Local Governance/ Economic Development, Post Redevelopment/ Car Registration, Gas Tax, Vehicles Miles Traveled/ Telecommunication, Utilities/ Cannabis/ Housing/ Contracts/ Recycling, Environment (*page 1*)
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GOVERNMENT RELATIONS CONTACT

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SELECTED LEGISLATIVE PROPOSALS

Sales and Use Taxes/ District Taxes

Transactions and Use Taxes: Based on a Portion of a Jurisdiction: 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. **(AB 1324/ Gloria)** (*Two-Year*)

Sales and Use Tax Exemption (State and Local): Water Efficiency: Qualified water efficiency products sold or purchased during a 3-day period (Saturday preceding the last Monday of March and ending on the following Monday in March), for which a layaway agreement is entered into, a raincheck is issued, or other specified orders are placed, during this period. **(AB 3170/ Friedman)**

Sales and Use Tax: Exemption: Information Required Prior to the Adoption by the Legislature: Would require any bill, introduced on or after January 1, 2019, that authorizes an exemption imposed by the Sales and Use Tax Law to contain, among other provisions, specified goals, purposes, and objectives that the exemption will achieve, and detailed performance indicators, including data collection requirements, to measure whether the exemption is meeting those goals, purposes, and objectives. **(SB 726/ Wiener)** (*Two-Year*)

Sales and Use Tax Exemption (State and Local):

Charitable Thrift: Deletes the January 1, 2019 sunset for the exemption. The exemption applies if the purpose of that thrift store is to obtain funding for medical, hospice, or social services provided to individuals with HIV or AIDS by the nonprofit organizations. **(SB 1484/ E. Hernandez)**

Sales and Use Taxes: Credit: City of Santa Monica:

Applies to bicycles purchased by the City of Santa Monica (City). Allows the City to apply as a credit the amount the City paid to the CDTFA for the taxes imposed. The amount is measured by rental receipts, for the lease or rental of bicycles as part of a publicly shared regional bicycle system within the County of Los Angeles against an amount equal to what the City would have paid as sales tax reimbursement or use tax. **(AB 2938/ Bloom)**

Sales and Use Tax: Revenue Allocation: Public Safety Services: States the intent of the Legislature to enact legislation that would limit the amount of revenues from Proposition 172 that are maintained in reserves by counties to 5% of the total allocation of those revenues received in the previous budget year. **(SB 1366 and SB 1429/ Mendoza)**



Tax Reform (Destination Point of Sale for On-Line Sales/ Taxing Services)

Local Sales Taxes For On-Line Sales: States the intent of the Legislature to enact legislation (and then seek the approval of a Constitutional amendment by the voters) that would change the allocation of tax revenue for online transactions by requiring all online retailers to deem the location of a sale based on point-of-destination rather than point-of-sale resulting in a more equitable distribution of tax revenue amongst incorporated cities and counties. The bill according to the author's fact sheet will include language that will "provide counties time to reassess their positions with outstanding contracts with online vendors to mitigate the initial shock on counties that rely heavily on sales tax revenue." **(SB 1466 / Glazer)**

Sales Tax: Services: Impact: Would impose a tax on the purchase of services from businesses in California at a specified percentage of the sales price of the service; requires the tax to be collected and remitted by the seller of the purchased services. The proposal is aimed at "high-end business services," such as those provided by lawyers, consultants, and accountants for corporations and other high-income businesses. According to the author, the impact on businesses subject to the new tax would be minimal because they can continue to deduct these costs on their federal taxes. Currently, 49 states tax services, and 43 of those states tax more services than California does.

Exemptions: Include health care services, and a business with gross receipts of less than \$100,000 in the previous 4 quarters. **Revenue:** Revenue collected will be used to provide tax relief to middle-income and low-income Californians negatively affected by the recent Congressional tax reform bill. For example, the revenues will be used for California infrastructure, workforce development, and to support education at all levels. **Goal:** The proposal is designed to broaden California's tax base and to rebalance the state's volatile fiscal formula. **(SB 993/ Hertzberg)**

Taxation: States that it is the intent of the Legislature to enact legislation relating to state tax policy. **(AB 2355/ Ting)**

Property Taxes / Documentary Transfer Taxes/ Parcel Taxes

Property Taxation: Base Year Value Transfers: Allows the base year value of property that is eligible for the homeowner's exemption of any person, regardless of age or disability, to be transferred to any replacement dwelling, regardless of the value of the replacement property or whether the replacement property is located within the same county. **(AB 1748/ Steinorth)**

Qualified Special Taxes: Exemption: Information (Parcel Tax): If a school district qualifies for an exemption from a special tax, this bill would require a county tax collector to include a hyperlink identified as 'Parcel Tax Exemptions', on the tax collectors' homepage. The hyperlink will go to another location on the tax collector's Internet Web site that contains information on how to apply for that exemption. It also would require a county tax collector to include a hyperlink to the homepage of the tax collector on each county tax. Under this bill, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs will be made. **(AB 2458/ Weber)**

Property Tax: Exemption (Local): Exempts the full value of principal place of residence of a veteran or veteran's spouse and unmarried surviving spouse of a veteran. **(AB 2254/ Lackey)**

Property Tax Exemption (Local): Principal Place of Residence: Disabled Veterans: Exempts from taxation the principal residence of a veteran who is totally disabled as a result of injury or disease incurred in military service. **(AB 3209/ Frazier)**

Property Taxation: Base Year Value Transfers: Expands an existing property tax relief program that allows an eligible person to transfer the base year value of the principal residence to a replacement dwelling, provided the residence includes a person who has a severely and permanently disabled child. The provisions of this bill will become operative if Assembly Constitutional Amendment (ACA) 12, of the 2017-18 Legislative Session, is approved by the voters. **(AB 1596/ Gloria)**
(Two-Year)



Documentary Transfer Taxes: Under current law, cities and counties are authorized to impose a documentary transfer tax at a specified rate upon deeds, instruments, or writings by which any lands, tenements, or other real property are transferred. SB 1411 deletes the authority for a city located within a county to impose a documentary transfer tax at a higher rate. The bill stems from *926 North Ardmore Avenue LLC v. County of Los Angeles*. **(SB 1411/ Moorlach)**

Property Tax Exclusion: 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. Per the BOE every \$1 million in rainwater capture systems installed equates to \$10,000 in local revenue loss. **(SB 558 & SCA 9/ Glazer)** *(Two-Year)*

Property Taxation: Change In Ownership: Creates a new “change in ownership” event for ‘legal entity owned’ real property that occurs when 90 percent or more of the direct or indirect ownership interests in that legal entity transfer in a planned single transaction. SB 1237 is similar to SB 259 from 2015. SB 259 would have resulted in annual property tax revenue gains of \$26 million. **(SB 1237/ Bates)**

Property Taxes: Welfare Exemption (Local): Community Land Trust: For lien dates after January 1, 2019, qualifies property for the welfare exemption (used exclusively for religious, hospital, scientific, or charitable purposes) if the property is owned by a community land trust. Prohibits this exemption from being denied on the basis that the subject property does not currently contain specified property that is in the course of construction. **(SB 1056/ Beall)**

Business License

Master Business License Act: Creates within the Governor's Office of Business and Economic Development a business license center to develop and administer an online state master business license system to simplify the process of engaging in business with state agencies. **(AB 767/ Quirk-Silva)** *(Two-Year)*

Business Licenses/ Identification Requirements:
Proposal: Requires locality that licenses businesses carried on within their respective jurisdictions to accept a California driver's license or identification number, individual taxpayer identification number, or municipal identification number in lieu of a social security number if the city or county otherwise requires a social security number for the issuance of a business license. *Public Inspection/ Confidentiality:* A number collected will not be available to the public, is confidential, and will not be disclosed except as required to administer the licensure program or comply with a state law or state or federal court order. *Data Sharing:* Does not prohibit the sharing of aggregate data as long as it is disclosed in a manner that could not be used to determine the identity of the persons to whom the data pertains, whether alone, or in combination with other data. **(AB 2184/ Chiu)**

Business Licenses: Fees: Fire Inspections: Applicability: Locals with or without a business license. *What:* Requires a locality to collect an additional fee from any applicant for a local business license or equivalent instrument or, in a jurisdiction that does not issue a business license, to collect an additional fee from the applicant for a building permit. *Purpose:* Used to increase the proactive inspections of commercial buildings for compliance with state and local fire code and building code requirements. *Fund:* The local entity will create a fund into which 90% of the fees collected under these provisions would be deposited. The remaining 10% of the fees collected would be remitted to the State Fire Marshal for deposit into the Fire Inspection Assistance Fund for use in advising local agencies on implementing a system of proactive inspections to facilitate compliance with state and local fire and building codes. *Annual Reports:* The local entity will make an annual report to the State Fire Marshal regarding the amount and use of the fees collected, as specified. *Mandate and Reimbursement:* Yes, if determined by the Commission on State Mandates. **(SB 1416/ McGuire)**

Ordinances: Sidewalk Vendors/ Licensing: Prohibits locals from adopting rules or regulations, by ordinance or resolution, that regulate or prohibit sidewalk vendors unless it first adopts a sidewalk vending licensing program that requires a sidewalk vendor to obtain a license from the local authority before selling food or merchandise. **(SB 946/ Lara)**



Local Governance

Ordinances: Coin-operated Viewing Machines: Non-substantive change to the law with respect to coin-operated viewing machines. Would change the law and specify that “Coin-operated viewing machine” does not include an electronic video game of skill wherein the image is created, generated, or synthesized electronically, or coin-operated television receivers that display commercial or public service broadcasts. **(AB 2456/ Bloom)**

Ordinances: Violation Increase: Would increase the amount for a first violation to \$150. Existing law authorizes the legislative body of a city to make, by ordinance, any violation of an ordinance subject to an administrative fine or penalty and limits the maximum fine or penalty amounts for infractions, to \$100 for the first violation, \$200 for a 2nd violation of the same ordinance within one year of the first violation, and \$500 for each additional violation of the same ordinance within one year of the first violation. **(AB 2598/ Quirk)**

Ordinances: Property Forfeiture (City of Elk Grove): Authorizes the city of Elk Grove to adopt an ordinance authorizing the city to confiscate and seek an order of forfeiture of property, whether personal or real, if that property is used to violate city code. Requires any ordinance adopted to provide the owner of the property with adequate notice and opportunity to challenge the grounds of the seizure. **(AB 3208/ Cooper)**

Resolutions: Regional Park and Open Space Districts/ Financing: Authorizes the formation of a regional park and open space district by the adoption of a resolution of application by the legislative body of any county or city that contains the territory proposed to be included in the district. Requires the resolution to contain certain information, including the methods by which the district would be financed, including but not limited to special taxes and fees. **(AB 2600/ Flora)**

Ordinances: Gambling: Requires the Department of Justice to review and comment on any submitted ordinance within a certain number of days of receiving the ordinance under the Gambling Control Act. **(AB 2838/ Low)**

Privacy Hotels, Motels, Boarding Housing: Intent language for the Legislature to enact law that protects guests' privacy at hotels, motels, inns, boardinghouses, and lodging houses. Existing law requires a business to take all reasonable steps to dispose of customer records within its custody or control containing personal information, including information that identifies a particular individual, such as his or her name, address, physical characteristics, or description, when the records are no longer to be retained by the business. **(SB 1194 / Lara)**

City Streets: Maintenance: Non-substantive change to the law with respect to when a city is not liable for failure to maintain any road until it has been accepted into the city street system by the governing body of that city. **(SB 1151/ Bates)**

Local Initiatives: Requires the county counsel for county initiative measures and the city attorney for municipal initiative measures to initiate a public review process posting the text of the proposed measure on its web site and providing for the submission of written public comments on the initiative. **(SB 1153/ Stern)**

Car Registration/ Vehicles / Gas Taxes/ Vehicles Miles Traveled Tax

Clean Cars 2040 Act: Prohibits the DMV from accepting an application for original registration of a motor vehicle unless the vehicle is a zero emissions vehicle. A commercial vehicle with a gross vehicle weight rating of 10,001 pounds or more, and a vehicle brought into the state from outside of the state for original registration would be exempt. **(AB 1745/ Ting)**

General Plans: Housing Element: Withholding Transportation Funds: Requires the Department of Housing and Community Development to review each production report submitted by a city or county to determine whether that city or county has met the applicable minimum production goal for that reporting period. The Road Maintenance and Rehabilitation Program requires that, after certain allocations for the program are made, the remaining funds available for the program be allocated 50% for maintenance and operation of the state highway system and 50% for apportionment to cities and counties by the Controller. Will require cities and counties to be certified by the Department in order to remain eligible for an apportionment of these funds. **(AB 1759/ McCarty)**



Transportation Funding Repeal: Repeals the Road Repair and Accountability Act of 2017. **(AB 1756/ Brough)**

Motor Vehicle Fuel: Disclosure of Government Costs: Requires service stations to display, at a conspicuous place at least one visible sign showing a list of applicable state and federal fuel taxes per gallon of motor vehicle fuel sold from the dispensing apparatus. **(SB 1074/ Moorlach)**

License Plate Covers: Allows the use of license plate covers on parked vehicles. This bill will enable an individual, when visiting a location they would like to keep confidential, to cover their license plate while parked at that location. **(SB 712/ Anderson)** *(Two-Year)*

VMT Tax Study: A study by the California State Transportation Agency recommends that the state replace existing transportation revenue with a funding system based on road use (“vehicle miles traveled tax.”). **Revenue:** The report used a rate of 1.8 cents per mile to simulate a rate that would generate the same amount of funds that otherwise would have been collected through the gas tax. The report recommends that further research provide details for pay-at-the-pump options, in-vehicle mileage tracking telematics, and other technologies.

http://www.dot.ca.gov/road_charge/resources/final-report/docs/final.pdf

Mileage-Based Usage Fee: Road Usage Charge

Technical Advisory Committee: Extends the Repeal Date from January 1, 2019 to January 1, 2023. Also, requires the technical advisory committee to assess the potential for mileage-based revenue collection for California’s roads and highways as an alternative to the gas tax system. **(SB 1328 / Beall)**

Congestion Pricing Pilot Projects. Eligible participating jurisdictions will be limited to two congestion pricing demonstration pilot projects in northern California and two in southern California. Defines “congestion pricing” to mean the assessment of a charge on motor vehicles using local streets and roads in a participating jurisdiction, which charge could vary based on the time of day or the day of the week. An eligible participating jurisdiction will be required to adopt a congestion pricing ordinance to be approved by the applicable congestion management agency. **(AB 3059/ Bloom)**

Economic Development / Post Redevelopment / Revitalize California Cities

Local Government: Municipal Improvement and Restoration Projects: Intent language for the Legislature to enact law that that would provide local governments with resources and streamlining for municipal improvements and restoration projects. **(AB 1792/ Frazier)**

Office of Sustainable Outdoor Recreation: Establishes the Office of Sustainable Outdoor Recreation; requires undertaking certain activities such as promoting economic development and job growth of the outdoor recreation economy in the state. **(AB 1918/ E. Garcia)**

California Economic Development Strategic Plan:

Would require the Governor’s Office of Business and Economic Development to lead the preparation of a California Economic Development Strategic Plan. The components will include an evaluation of proposals, policies, and goals developed at the regional level and the adequacy of state and local physical and economic infrastructure. Upon completion of the study, the office will convene a stakeholder advisory group that will include local government leaders to assist with evaluating and preparing the California Economic Development Strategic Plan. **(AB 2569/ Cooley)**

Local Government: Economic Development Subsidies

Threshold Increase: Revises the definition of economic development subsidy by raising that threshold amount from \$100,000 to \$150,000. Economic development subsidy means an expenditure of public funds or loss of revenue to a local agency for the purpose of stimulating economic development within the jurisdiction of a local agency. **(AB 2853/ Medina)**

Redevelopment: States the intent of the Legislature to enact legislation that would authorize a city or county, to form a redevelopment housing and infrastructure agency, subject to the approval of the Department of Finance, and would authorize that agency to exercise powers that are similar to powers previously granted to redevelopment agencies in order to finance housing and infrastructure projects. **(AB 3037/ Chiu)**

**Tax Recovery and Criminal Enforcement Task Force**

(TRaCE): Establishes TRaCE in the DOJ to combat underground economic activities through a multi-agency collaboration to, among other things, pool resources, collaborate and share data, prosecute violations, and recover state revenue lost to the underground economy. **(SB 1272/ Galgiani)**

Enhanced Infrastructure Financing Districts:

Maintenance: Authorizes an infrastructure financing district to finance the ongoing or capitalized costs to maintain public capital facilities financed by the district. **(SB 1145/ Leyva)**

Revitalize California Cities: Is an effort to reinstate a tax increment financing tool, otherwise recognized as redevelopment. The effort is in direct response to the dissolution of redevelopment agencies. Revitalize California Cities plans to encourage the next governor to reinstate a tool. California Contract Cities Association supporting this effort in concept. See: <http://files.constantcontact.com/6a8c02fd401/4593a754-6e01-4bfe-bba2-3819a08cc41a.pdf>

Cannabis**Cannabis Programs: Cooperation with Federal**

Authorities: Would prohibit state and local agencies from taking certain actions regarding the commercial and non-commercial cannabis activity without a federal agent obtaining a court order signed by a judge and presenting that order to the agency. There is concern the bill may impact local control with respect to cooperation with federal agencies. The author has expressed the intention of the bill is to protect cannabis-related activities that are now legal under state law and to target non-legal violators. **(AB 1578/ Jones-Sawyer)**

Cannabis: Local Jurisdiction Licensees: Event Permits:

Authorizes a local jurisdiction to apply for a temporary event license under MAUCRSA, and requires that local jurisdiction to comply with all existing licensure requirements that apply to any other applicant, except for specified provisions relating to background checks and prior convictions. **(AB 2020/ Quirk)**

Cannabis: Local Control: City Responsibility for County:

Requires a city to assume from the county complete responsibility for any regulatory function relating to licensees located within the jurisdictional boundary. **(AB 2727/ Lackey)**

Cannabis: Local Jurisdiction: Prohibitions on Delivery:

Prohibits a local jurisdiction from preventing the delivery of cannabis or cannabis products on public roads, or to an address that is located within that jurisdictional boundaries, by a licensee who is acting in compliance with the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA), and who is acting in compliance with any license, permit, or other authorization obtained from another local jurisdiction. **(SB 1302/ Lara)**

Telecommunication/ Utilities/ Net Neutrality**Local Government: Public Broadband Services:**

Prohibits a local agency that is authorized to engage in the provision of broadband Internet access service in the state from taking certain actions regarding the accessing of content on the Internet by end users. The bill states, except for reasonable network management, a local agency engaged in the provision of broadband Internet access service shall not impair or degrade lawful Internet traffic on the basis of Internet content, application, or service, or use of a nonharmful device. **(AB 1999/ Chau)**

Local Publicly Owned Electric and Gas Utilities:

Requires the PUC to direct an electrical or gas corporation to provide as many of specified weatherization measures as are feasible and cost effective for each eligible low-income dwelling unit and provides that weatherization may also include water conservation measures that result in energy savings. **(AB 1995/ E. Garcia)**

Water Utility Service: Sale of Water/ Protests:

Permits a city that owns and operates a public utility for furnishing water service to sell the public utility for the purpose of consolidating its public water system with another pursuant to the procedures that are generally applicable to the sale of real property by a city, only if the potentially subsumed water system is wholly within the boundaries of the city. The bill sets forth requirements for noticing the possible sale and protests from the public. **(AB 2339 / Gipson)**



Net Energy Metering / Add Local Government to List of Customers. The Legislature finds and declares that a program to provide net energy metering combined with net surplus compensation, co-energy metering, and wind energy co-metering for eligible customer-generators is one way to encourage substantial private investment in renewable energy resources, stimulate in-state economic growth, reduce demand for electricity during peak consumption periods, help stabilize California's energy supply infrastructure, enhance the continued diversification of California's energy resource mix, reduce interconnection and administrative costs for electricity suppliers, and encourage conservation and efficiency. The bill adds local government to the list of "eligible customer-generator." **(AB 2077/ Limon)**

Santa Clara Valley Water District / Exemption from Special Taxes: Authorizes this District to require a taxpayer seeking an exemption from special taxes to verify his or her age, disability status, or household income. Authorizes the board of directors of the district to provide the exemption. **(AB 1889/ Caballero)**

Net Neutrality/ Broadband Internet Access: The FCC in December 2017 voted to repeal "net neutrality" rules by returning broadband Internet access service to its prior classification as an information service, and reinstating the private mobile service classification of mobile broadband Internet access service. It is unclear whether this decision will affect Utility User Tax (UUT) receipts from Over the Top (OTT) streaming video. If it forces small providers out of the market and causes prices to rise due to less competition, it may increase UUT receipts. SB 822 states the intent of the Legislature to enact legislation to effectuate net neutrality in California utilizing the state's regulatory powers and to prevent Internet service providers from engaging in practices inconsistent with net neutrality. **(SB 822/ Wiener)**

Public Utilities: Rates: Federal Tax Law Changes / Adjustments: Requires the PUC to evaluate the effect of the enactment of federal House Resolution 1 (Public Law 115-97) upon the expenses incurred by public utilities for payment of federal taxes. If the PUC determines that the projected expenses for federal taxes (authorized by the commission to be recovered in the rates for a public utility) are materially affected by the enactment, would require the commission to adjust the rates of the utility to reflect projected expenses. **(SB 1028/ Hill)**

Water Shutoffs: Prohibits a water shutoff for any household for at least 60 days following a delinquency and requires direct contact with an adult in the household 3 days before any shutoff, and to furnish a copy of the agency shutoff policy. Prohibits a water shutoff until a local health agency determines, at the request of a resident, that a shutoff would not result in a grave threat to residents' health and safety. A positive determination limits a shutoff for at least 90 days, at which time the water system may request a reassessment. The bill requires urban and community water agencies to have a written and published policy on how to deal with water shutoffs. **(SB 998/ Dodd)**

Overturn Local Voter-Approved UUT: Prohibits Video Streaming : Was introduced in 2017 to overturn provisions of local voter-approved UUT ordinances by prohibiting for 5 years a local UUT on OTT (video streaming). The bill would preempt cities and counties who have levied a UUT that applies to OTT, and would directly impact 88 jurisdictions with a "video" provision. *AB 252's author resigned from office on December 27, 2017. It is unclear whether the issue will be taken up by another Legislator.*

www.NoOnAB 252.com: About 60 opponents that includes cities, labor, the cable industry, and MuniServices joined the effort. **Over The Top (OTT) Working Group:** After AB 252's hearing, an "OTT Working Group" was formed that includes volunteer representatives from California cities. **(AB 252/ Ridley-Thomas)**

Recycling / Environment

Solid Waste: Single-Use Plastic Straws: Prohibits a food facility where food may be consumed on the premises from providing single-use plastic straws to consumers unless requested by the consumer. **(AB 1884/ Calderon)**

Recycling: Single-Use Plastic Beverage Container Caps: Prohibit a retailer from selling or offering for sale a single-use plastic beverage container with a cap that is not tethered to or contiguously affixed to the beverage container. **(AB 2779/ Stone)**



Contracts

Taxation: Prison Contracts: Goods and Services:

Imposes a 10% tax on vendors for the final contract price for contracting with a state prison, the Department of Corrections or Department of General Services. Prohibits passing on this tax to the state. The CDTFA would assess and collect the tax. **(AB 2303/ Thurmond)**

Contracts: Counties: Following opposition from a state-wide coalition of over 500 public and private entities, AB 1250, a bill to restrict county contracts for personal services, did not make it to the Governor's desk in 2017. **(AB 1250/ Jones-Sawyer)**

<http://www.avenuinsights.com/2017/12/29/ab-1250-jones-sawyer-contracts-counties/>

Housing

Local Agencies: Surplus Land / Expand Definition:

Expands the definition of local agency to include sewer, water, utility, and local and regional park districts, joint powers authorities, successor agencies to former redevelopment agencies, housing authorities, and other political subdivisions of this state that is empowered to acquire and hold real property. The bill declares that a shortage of sites available for housing for persons and families of low and moderate income is a barrier to addressing urgent statewide housing needs and that surplus government land, prior to disposition, should be made available for that purpose. **(AB 2065/ Ting)**

Density Bonuses: Applications Deemed Approved:

Requires that if a city or county does not determine whether a density bonus application is complete within a certain number of calendar days after it was submitted, then that application is deemed approved. Requires an applicant who resubmits a density bonus application to make whatever changes are necessary to make the application complete. Authorizes an applicant to appeal that decision first to the planning department of the city or county. **(AB 2753/ Friedman)**

Regional Housing Needs Assessment: Intent language for the Legislature to enact law that will change the process for distributing regional housing needs to various jurisdictions to ensure fairness and the achievement of stated goals regarding housing. **(AB 1771/ Bloom)**

Building Permit Fees: Waiver: Authorizes cities and counties to waive or reduce all building permit fees for improvements to the home of a person at least 60 years of age with a qualifying disability that are made to accommodate that disability. **(AB 2132/ Levine)**

Housing Opportunity Zones: Intent language for the Legislature to enact law that would authorize the creation of housing opportunity zones to encourage infill development within high transit areas. **(AB 2553/ Friedman)**

Land Use: Accessory Dwelling Units (ADU): Allows for the construction of accessory dwelling units in areas with existing or proposed single family dwellings. Would prohibit locals from: requiring off-street parking spaces when a parking structure is converted, imposing fees for utilities, and charging impact and capacity fees. Creates an amnesty program for non-legal ADUs to become compliant. **(SB 831/ Wieckowski)**

Department of Housing and Community Development: Database of Local Fees: Requires the Department of Housing and Community Development by December 31, 2019 to collect and publish a database by jurisdiction of fees charged by public agencies to new developments. **(SB 1996/ Glazer)**

Building Homes and Jobs Act: Intent language for the Legislature to enact law that would provide clarifying language to last year's SB 2, that imposes a charge of \$75 to be paid at the time of the recording of every real estate instrument, paper, or notice required or permitted by law to be recorded, per each single transaction per parcel of real property, not to exceed \$225. **(SB 1327/ Atkins)**

Building Homes and Jobs Act: Fee Waiver: Mining Claim: Waives the SB 2 (2017) charge with regard to any real estate instrument, paper, or notice recorded in connection with a mining claim. **(AB 1915/ Mathis)**

Building Homes and Jobs Act: Fee Waiver: States of Emergency: Waives the SB 2 (2017) charge for which the Governor has declared a state of emergency. **(AB 1765/ Quirk-Silva)**



PROPOSED 2018-19 STATE BUDGET – SELECTED PROVISIONS

Reserves: The Governor’s 2018-19 proposed budget places a high priority on building reserves. The plan does not reflect changes to the economy and taxpayer financial decisions that will result from the Federal tax law. The May Revision is expected to reflect some changes resulting from the federal plan.

Transportation Projects: Includes \$4.5 billion in new funding for state and local transportation projects from SB 1 (Beall). In FY 2018–19 cities and counties will receive \$2.7 billion total for local streets and roads, with \$1.2 billion being generated by SB 1. The first FY 2017–18 payments from the new transportation revenues will begin flowing to cities in February.

Cannabis: Given the timing of the legalized market’s opening on January 1, 2018 and the release of the Governor’s Budget on January 10, 2018, the Administration deferred all cannabis-related budget proposals until the May Revision, including delayed expenditure plans on an estimated \$600 million generated through legalized recreational cannabis sales. While only a limited amount of data will be available at the May Revision, the Administration will use the updated information to make more informed decisions about future resource needs.

Federal Tax Law’s Impact on California: Concerns have been expressed about parts of the federal tax law that could have a disproportionately negative effect on California and other states that have higher taxes and home prices. For example, about 15 percent of California individual income tax filers—largely those making \$100,000 or more per year—reportedly claimed \$10,000 or more in state and local tax (SALT) deductions under the prior tax law. These deductions will now be capped, and some of these filers will pay more in individual income taxes under the plan. In addition, changes to the SALT and mortgage interest deductions have led some to conclude that growth in California housing prices will slow under the new tax law.

Offsetting these concerns are the plan’s near-term reductions in federal income tax for many filers and the significant reductions in corporate and other business taxes. Federal tax law changes are likely to help high-income earners with significant stock holdings and other investments.

PROPOSED STATEWIDE BALLOT INITIATIVES

Proposition 69 (ACA 5, Motor Vehicle Fees and Taxes) June 2018 Ballot: If passed, will require that SB 1 (Road Repair and Accountability Act of 2017) revenues be dedicated to transportation purposes. It will constitutionally protect sales tax on diesel and Road Maintenance and Rehabilitation Account revenues from being diverted to the General Fund or other non-transportation related purposes. **Gas Tax Repeal:** The proposed initiatives (17-0033A1 and 17-0004) would repeal SB 1.

The California Schools and Local Communities Funding Act of 2018/ Split Roll: Would remove Proposition 13’s restrictions on reassessments and tax increases for corporate-owned property. The initiative seeks to eliminate a “loophole” that allows corporations to avoid paying as much as homeowners.

Division of California into Three States. Initiative Statute: Tax collections and spending by the existing State of California would end; existing state assets and liabilities would be divided among three new states with each making its own decisions about state and local taxes and spending.

Tax Fairness, Transparency and Accountability Act of 2018: 17-0050: Would change the voting requirement for general taxes - increasing it to 2/3 approval. Special taxes are already 2/3 approval. This would eliminate the general/special tax distinction and make all taxes subject to the 2/3 vote requirement. It also creates additional requirements for the ballot language when a tax measure is put to the voters. With regard to fees, it increases the vote requirement for the legislative body for "exempt charges" to 2/3 of the legislative body. But it does not change the rules for property-related fees or assessments. Local tax measures passed in 2018 would be void unless they complied with the ballot requirements of the measure and obtained a 2/3 vote. <https://oag.ca.gov/system/files/initiatives/pdfs/17-0050%20%28Two-Thirds%20Vote%20Requirement%20V1%29.pdf>



TAX CONSIDERATIONS / RECENT TAX REFORM EFFORTS/ MARKETPLACE FAIRNESS

MuniServices has long expressed the need for tax reform policy that addresses today's economy (shifting consumer spending), the e-commerce tax gap as well as enforcement efforts for collecting existing taxes to ensure out-of-state retailers comply with state law.

South Dakota v. Wayfair, Inc. to be Heard by Supreme Court – Would Reverse Quill

Quill v. North Dakota from 1992 limits the collection of sales and use tax to vendors with a physical presence in the state. The decision stated that Congress could pass legislation to overrule this limitation. Under present law, if a seller does not have nexus in a state, and therefore does not collect tax, then a purchaser is required to pay a use tax in the same amount to their state government.

Overturn Quill: The State of South Dakota's petition to the U.S. Supreme Court to overturn *Quill* will be considered in 2018. The effort has received widespread support from individual states and local government groups including the National Conference of State Legislators (NCSL).

Potential Impact if Congress Overturns Quill: Estimates by the Government Accountability Office (GAO) report that state and local governments could have gained from \$8 billion to \$13 billion in 2017 if states were given authority to require sales tax collection from all remote sellers. This is between 2 and 4 percent of total 2016 state and local government general sales and gross receipts tax revenues. California in 2017 would have gained \$1 billion (low) to \$1.7 billion (high) if there were a requirement for remote sellers.

<https://www.gao.gov/assets/690/688437.pdf>

The California Department of Tax and Fee Administration (CDTFA) estimated the total receipts that are currently not taxed in the State were \$1.5 trillion in 2015. The CDTFA estimated that for fiscal year 2016–17, the State lost about \$1.45 billion in revenue due to unpaid taxes on e-commerce transactions. Spread among approximately 2.7 million households and 4 million businesses state-wide, this amounts to each household and business owing an average of about \$87.

<https://auditor.ca.gov/pdfs/reports/2017-106.pdf>

Bi-Partisan Attorney Generals Including California's Join Amicus Brief: The amicus brief is in support of the petition filed by the state of South Dakota. See: <http://www.scotusblog.com/wp-content/uploads/2017/11/17-494-cert-tsac-Colorado.pdf>

Marketplace Fairness Legislation: Congressional measures include the Marketplace Fairness Act (S. 976) in the Senate and the Remote Transactions Parity Act (H.R. 2193) in the House. Marketplace fairness legislation would have a similar impact to an overturn of the Quill legislation in that they would require remote sellers to collect and remit state sales and use taxes.

Impact Analysis/ Suggested Action: Upon request, MuniServices Client Services Managers can provide a specific revenue impact analysis for your jurisdiction to help quantify the revenue impact if Quill is overturned or Marketplace Fairness legislation is enacted. We encourage clients in early 2018 to send a letter to their respective Congressional representative encouraging support for adopting Marketplace Fairness legislation.

Tax Reform Considerations

MuniServices recognizes that successful tax reform will require thoughtful stakeholder input and consideration. The League of California Cities Revenue and Taxation Committee during its January 2018 meeting discussed next steps on sales tax modernization and plans for the "League Manager Working Group." MuniServices' Fran Mancina sits on the Committee and he can provide additional information.

Previous Legislative Intent

"Catalyst": SB 983 (2014) was the catalyst for a more serious policy conversation on sales tax reform. The bill would have shifted the point of sale for card lock systems from the place where the sale was negotiated to the 'point of delivery of fuel to the vehicle.'

Broaden Tax Based on Services: SB 993 (2018): SB 640 (2017) Spot bill; SB 1445 (2016) Spot bill; SB 8 (2015) proposed to broaden the tax base by imposing a sales tax on services; the SB 993 bill did not apply to local voter-approved district taxes and did not lower the sales tax rate. See the above Sales and Use Tax section regarding SB 993 (2018).



Third Party Vehicle Sales: AB 2321 from 2016 was intended to have the DMV transmit data to the BOE (now CDTFA) with respect to off-highway vehicles and for the BOE/CDTFA to allocate the use taxes to the specific jurisdiction where the vehicle is registered; current revenues are designated in the county-wide pool.

Considerations for Discussion Purposes

Evaluate Exemptions: Adopt criteria and sunset. Note: There are hundreds of exemptions; the cost to locals is \$3.2 billion. A list (last published in July 2014) is available in Sales and Use Tax: Exemptions and Exclusions (Publication 61). The BOE has a series of questions and answers about the application of sales tax. The State Auditors report addresses the review of exemptions and the need to identify those that are outdated and ineffective.

See <http://www.boe.ca.gov/sutax/sutexempt.htm>

Broaden Tax Based on Services: Lower the rate and broaden the base. Tax reform at the state level must include locals.

Pursue Prospective New Revenue: Includes Cannabis taxes, “modernize” or update business taxes, local voter-approved UUT and new sales tax measures.

County-wide Pooling: Change the countywide pooling methodology for online retail sales; lower threshold to \$100,000 from \$500,000 on out-of-state sales.

Self-Accrual: Lower self-accrual of use tax on construction projects from \$5 million to \$1 million.

Taxing Digital Goods: Federal. For several years, the wireless industry has sought a moratorium on new wireless taxes (content/ digital goods such as music downloads). This law, as originally written, would affect cities that have not yet obtained voter approval of a modern telecom ordinance, and it would also affect a city with a modern ordinance that wished to go to the voters for a tax increase. **California.** The State Auditor’s report is recommending several changes to the sales tax law to broaden its base and to increase collections. To broaden the tax base and to recognize the changing economy, the Auditor also recommends extending sales tax to digital goods (such as games, streaming or downloaded video and music, and e-books).

<https://auditor.ca.gov/pdfs/reports/2017-106.pdf>

State Auditor Report/ Suggestions for the Tax Administration

The State Auditor in November 2017 published a report on how the Bradley-Burns Uniform Local Sales and Use Tax is assessed, collected, and allocated to local transportation funds. While the report’s focus is on funding for transit services, the findings suggest “the State could increase its tax base by removing exemptions, taxing digital goods, and taxing services.” The report recommends the California Department of Tax and Fee Administration (CDTFA) should implement a two-year pilot of its authorized, but never funded, reward program for information resulting in the identification of unreported sales and use taxes.

State Controller Betty Yee in 2016 also set forth conceptual discussion points for tax reform.

Use Tax Reporting on FTB Forms

Beginning in 2018 (AB 1593, Statutes of 2017) a taxpayer who reports use tax on an FTB return will be required to enter a number on the use tax line or to indicate that the taxpayer owes no use tax, or the taxpayer has remitted the tax to the CDTFA. The new law anticipates collecting approximately \$6.1 million annually.



OFFICE OF TAX APPEALS / TAX ADMINISTRATION / EMERGENCY REGULATIONS

The Taxpayer Transparency and Fairness Act of 2017 (Act) restructured the State Board of Equalization (BOE) and separated its functions among three entities to guarantee impartiality, equity, and efficiency in tax appeals; to protect civil service employees; to ensure fair tax collection statewide; and to uphold the California Taxpayers' Bill of Rights.

Three Entities: The entities are the BOE, Office of Tax Appeals (OTA), and the California Department of Tax and Fee Administration (Tax Administration or CDTFA). The OTA was established on July 1, 2017 and, beginning January 1, 2018, will be conducting appeals on taxes and fees that were previously conducted by the BOE, such as appeals on franchise and personal income tax, sales and use tax, and other special taxes and fees.

About the OTA: The OTA is separate from and totally independent of any state taxing authority. The OTA does not report to an agency, and only reports to the Governor.

Cases: Each case will be heard by a panel of three administrative law judges (ALJs). Every panel in the OTA will include three ALJs who, in addition to being licensed California attorneys, must meet all of the other legal and professional experience requirements for the job. The ALJs are civil service employees.

Hearing Locations: The hearings will be held in the Sacramento, Fresno and Los Angeles regions.

Requesting a Hearing: While the OTA may design a form for use in the future, currently all taxpayers need to do is submit a written request for a hearing with the OTA. Since the OTA is an independent body, taxpayers also need to make sure to supply any supporting documentation, including copies of their tax returns.

Public or Closed Hearings: Hearings are open to the public, but the OTA will establish a process for the taxpayer to request a closed hearing.

Representation Before the OTA: Taxpayers can choose to represent themselves or be represented by any authorized person including an attorney, appraiser, certified public accountant, public accountant, bookkeeper, employee, business associate or any other person.

Taxpayer Rights / Law: Taxpayers continue to have the right to have their appeals heard on the merits of law, may present their own evidence, choose their own representative, and have a three-judge panel of administrative law judges (ALJs) decide their appeal. The ALJs will issue a written opinion for each appeal decided.

Taxpayer Disagreement with the OTA: Taxpayer may bring an action in California Superior Court for a trial de novo. Generally, a taxpayer must first pay any tax amounts owed before bringing the action, but there are some exceptions.

Regulations: The Act requires the OTA to adopt regulations to govern its appeals processes and procedures prior to January 1, 2018.

In meetings with Marybel Batjer, Secretary of the Government Operations Agency, and the CDTFA's executive director, Nick Maduros, MuniServices representatives expressed that our focus with the agency transition is to assure that all local agencies continue to have the needed regulations and rules in place for governing local sales and use tax allocations and that a process is in place in cases when appeals become necessary. MuniServices was a vocal advocate during the development of Regulation 1807, Petition for Reallocation of Local Tax (Bradley Burns; Transactions and Use Tax), Regulation 1828, Petitions for Distribution or Redistribution of Transactions and Use Tax, and the regulatory efforts to implement AB 1717 (Regulation 2640, prepaid wireless collection mechanism).

Contact Janis Varney, Avenu's Sales and Use Tax Vice President for additional information. Janis can be reached at Janis.Varney@avenuinsights.com.

<https://ota.ca.gov/wp-content/uploads/sites/54/2018/01/emergency-regulations-1-5-18-revised.pdf>; <https://ota.ca.gov/faqs/>