

## California Legislative Update March 1, 2023

This edition of our policy update provides information on legislation introduced for 2023 primarily related to local taxes. We hope that this update is helpful, and we will provide additional updates in the future regarding other legislation of interest. Please reach out to us with any questions.

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## 2023 Legislation

Friday, February 17 marked the deadline for bill introductions in 2023. Legislators, in particular new legislators, introduced a windfall of bills, surpassing introduction numbers for the last ten years. In total, 2,632 bills were introduced – 1,751 in the Assembly, 881 in the Senate, and six special session bills. About 40% of the legislation introduced are spot bills – placeholders that will be amended with substantive language prior to being referred to policy committees.

In the Senate, amendments must be drafted by legislative counsel and submitted to the Senate Rules Committee on or by March 22 at 3:00 p.m. In the Assembly, amendments must be provided to legislative counsel on or by February 27 at 5:00 p.m. This is to say that a flood of substantive amendments is anticipated the third week in March, which will further define policy discussions this year.

## Sales and Use Taxes

**AB 52 (Grayson) Sales and Use Tax Law: manufacturing equipment: research and development.** Would express the intent of the legislature to expand the sales and use tax exemption for manufacturing and research and development equipment to preserve California's status as a hub of innovation and technology and to encourage greater investment in California. Avenu is watching this measure closely, as it is a



version of AB 1930 vetoed by the governor last year and could be detrimental to municipal finances.

Status: Not yet referred to policy committee

Cal Cities Position: Watch

### **AB 314 (Patterson, Jim) Sales and Use Tax:**

**exemptions: trucks for use in interstate or out-of-state commerce.** Extends the sales and use tax exemption from 2024 to 2029 for a truck, trailer, or semitrailer over 6000 pounds that is purchased to use in a different state. It also requires the buyer to give an affidavit stating that the vehicle will only be used outside of the state and that it will leave the state within a certain time period. States that local government agency revenue losses resulting from the bill will not be reimbursed.

Status: Referred to the Assembly Committee on Revenue and Taxation

Cal Cities Position: Watch

**AB 543 (Gipson) Sales and Use Tax Law: exemptions: petroleum products: water common carriers.** Removes the January 1, 2024 sunset date for the sales and use tax exemption on the sale of fuel and petroleum products sold to a water common carrier for immediate shipment outside California for consumption in the conduct of its business as a common carrier after the first out-of-state destination. States that local government agency revenue losses resulting from the bill will not be reimbursed.

Status: Referred to the Assembly Committee on Revenue & Taxation

Cal Cities Position: Watch

**AB 1203 (Bains) Sales and use taxes: exemptions: breast pumps and related supplies.** Would, on or after January 1, 2024, and before January 1, 2029, exempt the gross receipts from the sale in this state of, and the storage, use, or other consumption in this state of, breast pumps, breast pump collection and storage supplies, breast pump kits, and breast pads. States that local government agency

revenue losses resulting from the bill will not be reimbursed.

Status: Not yet referred to policy committee

Cal Cities Position: Watch

**AB 1249 (Ta) Sales and use taxes: exemption: tax holiday: school supplies.** Would, on and after January 1, 2024, and before January 1, 2029, exempt from sales and use taxes the gross receipts from the sale of, and the storage, use, or other consumption of, qualified school supplies, for the two-day period beginning at 12:01 a.m. on the third Saturday of July of each year and ending at 11:59 p.m. on the following day. States that local government agency revenue losses resulting from the bill will not be reimbursed.

Status: Not yet referred to policy committee

Cal Cities Position: Watch

**SB 96 (Portantino) Sales and Use Tax Law: live events: historic event venues.** Would state the intent of the legislature to enact legislation expanding the state sales and use tax exemption to transactions during live events at California historic event venues for reinvestment in historic preservation activities.

Status: Not yet referred to policy committee

Cal Cities Position: Watch

## Motor Vehicle Taxes

**AB 16 (Dixon) Motor Vehicle Fuel Tax Law: adjustment suspension.** Would authorize the governor to suspend an adjustment to the motor vehicle fuel tax scheduled on or after July 1, 2024, upon determining that increasing the rate would impose an undue burden on low-income and middle-class families. The California Department of Tax and Fee Administration adjusts the tax annually based on a percentage amount equal to the increase in the California Consumer Price Index.

Status: Not yet referred to policy committee

Cal Cities Position: Watch

**AB 53 (Fong, Vince) Motor Vehicle Fuel Tax Law: suspension of tax.** Would suspend the tax on motor vehicle fuels for one year, would require that all savings realized by a person other than an end consumer be passed on to the end consumer, and would make the violation of this requirement an unfair business practice in violation of unfair competition laws.

Status: Not yet referred to policy committee

Cal Cities Position: Watch

**SB 5 (Nguyen) Motor Vehicle Fuel Tax Law: limitation on adjustment.** Would limit the annual adjustment to motor vehicle fuel taxes to a maximum of 2% for rate adjustments made on or after July 1, 2023.

Status: Referred to the Senate Committee on Governance & Finance

Cal Cities Position: Watch

## Property Taxes

**AB 84 (Ward) Property tax: welfare exemption: affordable housing.** Pursuant to the state constitution, affordable rental housing owned by a nonprofit entity is considered a “charitable” use and exempt from basic property taxes. AB 84 allows nonprofit affordable rental housing to access the existing welfare property tax exemption from the date the property is restricted for affordable housing.

Status: Referred to the Assembly Committees on Housing & Community Development and Revenue & Taxation

Cal Cities Position: Watch

**SB 726 (Archuleta) Property taxation: exemption: disabled veteran homeowners.** Would allow veterans who are 100% disabled, their spouses, and unmarried surviving spouses an exemption from taxation on their property that does not exceed \$863,790, provided certain conditions are met between January 1, 2024 and January 1, 2034.

Status: Not yet referred to policy committee

Cal Cities Position: Watch

## Miscellaneous

**AB 41 (Holden) Telecommunications: The Digital Equity in Video Franchising Act of 2023.** Revises existing law pertaining to cable operators and state video franchising including:

- Expanding the definition of video service to include video programming provided as part of, and via, a service that enables users to access content, information, email, or other services offered over the public internet;
- Providing that the act does not authorize the California Public Utilities Commission to regulate the rates of video services;
- Revising the revenues excluded from the definition of “gross revenue” for purposes of calculating the franchise fee for a local jurisdiction; and
- Expanding the prohibition on certain cable operators or video service providers from discriminating against, or denying access to service to, any group of potential residential subscribers.

Status: Referred to the Assembly Committee on Communications & Conveyance

Cal Cities Position: Support

**AB 534 (McCarty) Local agencies: airports: customer facility charges.** Existing law authorizes airports to require rental companies to collect a customer facility charge or an alternative customer facility charge under specified circumstances for purposes that include financing, designing, and constructing or operating airport vehicle rental facilities and common-use transportation systems. Current law, beginning January 1, 2024, provides that the authorization for an airport to impose a customer facility charge becomes inoperative when the bonds used for financing are paid, except as specified. This bill would delete the provision ending the authorization described above.

Status: Referred to the Assembly Committee on Privacy & Consumer Protection

Cal Cities Position: Watch

**AB 537 (Berman) Short-term lodging: advertising: rates.** Would prohibit a place of short-term lodging, from advertising or offering a room rate that does not include all taxes and fees required to book or reserve the short-term lodging. The bill would make a knowing violation of those provisions subject to a specified civil penalty not to exceed \$10,000 and would authorize an action to enforce those provisions to be brought by a city attorney, district attorney, or the Attorney General.

Status: Referred to the Assembly Committees on Business & Professions and Judiciary

Cal Cities Position: Watch

**SB 532 (Wiener) Ballot measures: local taxes.** Current law requires that the ballots used when voting upon a measure proposed by a local governing body or submitted to the voters as an initiative or referendum measure, have printed on them a true and impartial statement describing the purpose of the measure. If the proposed measure imposes a tax or raises the rate of a tax, current law requires the ballot to include in the statement of the measure the amount of money to be raised annually and the rate and duration of the tax to be levied. This bill would exempt from this requirement a measure that imposes or increases a tax with more than one rate or authorizes the issuance of bonds.

Status: Referred to the Senate Committees on Governance & Finance and Elections & Constitutional Amendments

Cal Cities Position: Watch

**SB 676 (Allen) Responsible Pool Disinfection and Water Conservation Act: local tax authorization.** Would authorize a county to levy a tax by ordinance, approved by a 50% vote of the electors, at a rate of no more than \$0.30 per tablet, on the sale within its jurisdiction of trichlor tablets.

Status: Not yet referred to policy committee

Cal Cities Position: Watch

**SB 721 (Becker) Special taxes: vacant land.**

May be acted upon on or after March 19.

The California Constitution generally conditions the imposition of a special tax by a city, county, or special district upon the approval of 2/3 of the voters of the city, county, or special district voting on that tax. Under current law, a charter city, pursuant to its constitutional authority

over municipal affairs, may levy local taxes to raise revenues for local purposes, subject to restrictions imposed by that city's charter or preemption in matters of statewide concern. Current law also authorizes the legislative body of any city to levy any tax which may be levied by any charter city, subject to the voters' approval pursuant to the California Constitution. Current law specifies procedural requirements for the legislative body of a city, county, or district to propose to the voters an ordinance or resolution to adopt a special tax. This bill would specify that, as used in those procedural requirements, a special tax includes a tax, levied by any city, including a charter city, county, or district on vacant sites included in the inventory on land suitable and available for residential development pursuant to the housing element of a county's or a city's long-term general plan, that meets the constitutional requirements.

Status: Not yet referred to policy committee

Cal Cities Position: Watch

**SB 798 (Glazer) Elections: local bond measures: tax rate statement.** Current law requires local governments, when submitting a measure for voter approval for the issuance of bonds that will be secured by an ad valorem tax, to provide voters a statement that includes estimates of the tax rates required to fund the bonds. Under current law, the estimated tax rate is expressed as the rate per \$100 of assessed valuation on all property to be taxed to fund the bonds. This bill would instead require that the estimated tax rate in the statement be expressed as the rate per \$100,000 of assessed valuation on all property to be taxed to fund the bonds.

Status: Not yet referred to policy committee

Cal Cities Position: Watch