

Amend Section 7204.3 of the Bradley-Burns Uniform Local Sales and Use Tax Law to correct an erroneous term, and amend Section 7273 of the Transactions and Use Tax Law to add wording consistent with other subdivisions contained in Section 7273. (Technical)

Source: Legislative Section

Existing Law

Assembly Bill 1809 (Ch. 49, Assembly Budget Committee, signed by Governor Schwarzenegger on June 30, 2006), a budget trailer bill, made a number of revenue and taxation related changes necessary to implement the Budget Act of 2006. Among those changes, AB 1809 amended Section 7204.3 of the Bradley-Burns Uniform Local Sales and Use Tax Law and Section 7273 of the Transactions and Use Tax Law to adopt a new simplified costing methodology to allocate the Board's administrative costs for state and local sales and use taxes among the state, local entities, and special taxing districts. The simplified costing methodology was developed by Board staff and recommended by the Legislative Analyst's Office (LAO).

Sections 7204.3 and 7273 were amended to require the Board, beginning fiscal year 2006-07, and each fiscal year thereafter, to charge each local entity and special taxing district an amount for the Board's services in administering the local sales and use tax ordinance of that jurisdiction based on the methodology described in Alternative 4C of the November 2004 report by the State Board of Equalization entitled "Response to the Supplemental Report of the 2004 Budget Act."

The amendments to these sections contained certain drafting errors. With respect to Section 7204.3, subdivision (a)(2) of this section incorrectly uses the term "district," rather than "local entity." Section 7204.3 requires the Board to charge each city, city and county, county, or redevelopment agency for the services it provides in administering the local entity's tax ordinance. This statute covers a local entity (i.e., city, city and county, county, or redevelopment agency) but does not cover a district. The term "district" refers to special tax districts under the Transactions and Use Tax Law, not local entities under Bradley-Burns Uniform Local Sales and Use Tax Law.

With respect to Section 7273, subdivision (a)(1) was amended to add the wording "each district." For consistency, it is suggested that this same wording be added to subdivision (a) (2) of Section 7273.

This Proposal

This proposal would correct an inadvertent drafting error in Section 7204.3 to replace the term “district” with “local entity,” consistent with other terms contained in both Section 7204.3 and all other sections under Bradley-Burns Uniform Local Sales and Use Tax Law. This proposal would also add “each district” to subdivision (a)(2) of Section 7273, consistent with subdivision (a)(1) of that section.

Section 7204.3 of the Revenue and Taxation Code is amended to read:

7204.3. The board shall charge a city, city and county, redevelopment agency, or county, an amount for the board’s services in administering the sales and use tax ordinance of the local entity, as determined by the board with the concurrence of the Department of Finance, as follows:

(a) Beginning with the 2006-07 fiscal year, the amount charged each local entity shall be based on the methodology described in Alternative 4C of the November 2004 report by the State Board of Equalization entitled “Response to the Supplemental Report of the 2004 Budget Act.”

(1) The amount charged may be adjusted in the current fiscal year to reflect the difference between the board’s budgeted costs and any significant revised estimate of costs. Any adjustment shall be subject to budgetary controls included in the Budget Act. Prior to any adjustment, the Department of Finance shall notify the Chairperson of the Joint Legislative Budget Committee not later than 30 days prior to the effective date of the adjustment.

(2) The amount charged each ~~district~~local entity shall be adjusted to reflect the difference between the board’s recovered costs and the actual costs incurred by the board during the fiscal year two years prior.

(b) The amounts determined by subdivision (a) shall be deducted in equal amounts from the quarterly allocation of taxes collected by the board for the city, city and county, redevelopment agency, or county.

Section 7273 of the Revenue and Taxation Code is amended to read:

7273. In addition to the amounts otherwise provided for preparatory costs, the board shall charge each district an amount for the board’s services in administering the transactions and use tax determined by the board, with the concurrence of the Department of Finance, as follows:

(a) Beginning with the 2006-07 fiscal year, the amount charged all districts shall be based on the methodology described in Alternative 4C of the November 2004 report by the State Board of Equalization entitled “Response to the Supplemental Report of the 2004 Budget Act.” The amount charged each district shall be based upon the district’s proportional share of the revenue after weighting the revenue to equalize the differences in district tax rates.

(1) The amount charged each district may be adjusted in the current fiscal year to reflect the difference between the board's budgeted costs and any significant

revised estimate of costs. Any adjustment shall be subject to budgetary controls included in the Budget Act. Prior to any adjustment, the Department of Finance shall notify the Chairperson of the Joint Legislative Budget Committee not later than 30 days prior to the effective date of the adjustment.

(2) The amount charged each district shall be adjusted to reflect the difference between the board's recovered costs and the actual costs incurred by the board during the fiscal year two years prior.

(b) The board shall, by June 1 of each year, notify districts of the amount that it anticipates will be assessed for the next fiscal year. The districts shall be notified of the actual amounts that will be assessed within 30 days after enactment of the Budget Act for that fiscal year.

(c) The amount charged a district that becomes operative during the fiscal year shall be estimated for that fiscal year based on weighted revenue.

(d) The amounts determined by subdivision (a) shall be deducted in equal amounts from the quarterly allocation of taxes collected by the board for a given district.