

**BOARD OF EQUALIZATION
LEGISLATIVE COMMITTEE MEETING
HONORABLE JEROME HORTON, CHAIR
450 N STREET, SACRAMENTO, ROOM 121
JULY 13, 2010 10:00 AM**

----- Committee Report and Action Summary -----

I. 2010 LEGISLATIVE PROPOSALS

**BUSINESS TAXES
SALES AND USE TAXES**

2010 Legislative Proposals

Set forth below is a suggestion for Sales and Use Tax legislation to be sponsored by the Board in the second year of the 2009-10 Legislative Session (see attachments).

**Suggestion
Number**

3-7 Add Section 6480.10 to the Revenue and Taxation Code to allow specified suppliers and wholesalers of motor vehicle and/or diesel fuel a credit for their costs in complying with the Sales and Use Tax and the Fuel Taxes Laws.

Source: CIOMA; agendized for discussion by Honorable Betty T. Yee

Revenue Impact: Potential \$57 million annual state General Fund loss

Committee Discussion

Ms. Margaret Shedd of the Legislative and Research Division, Mr. Jeff McGuire of the Board's Sales and Use Tax Department, and Mr. Lou Feletto of the Board's Property and Special Taxes Department appeared before the Board to introduce and answer questions related to Suggestion Number 3-7, which would allow specified suppliers and wholesalers of motor vehicle and/or diesel fuel a credit for their costs in complying with recent fuel tax changes to the Sales and Use Tax and the Fuel Taxes Laws.

On this issue, two individuals spoke on behalf of the California Independent Oil Marketers Association (CIOMA): Mr. Jay McKeeman, CIOMA'S VP of Government Relations and Communications, and its representative, Ms. Deborah Mattos, with Mattos & Associates, Inc.

Mr. McKeeman explained that this issue and suggestion was brought to Board Chair Yee, so that the Board would have the opportunity to discuss and address concerns with potentially compensating suppliers and wholesalers for their compliance costs to implement the fuel tax swap. Mr. McKeeman continued to outline the problems his members are facing due to the sales tax and fuel tax rate adjustments, special carve-outs, and the one-time and on-going software costs ranging from \$5,000 to \$20,000. Mr. McKeeman also stated the issue was brought to the Board because of its tax expertise.

Board Chair Yee stated that she brought this suggestion before the Board to highlight the compliance challenges with the fuel tax swap and to highlight the administrative hurdles down the fuel distribution chain. She indicated she was not prepared to support the proposal, but suggested a dialogue with the Administration and the Legislature on the issues facing industry.

Board Member Steel inquired as to when the legislation could be introduced, noted that the suggestion included good compensation for suppliers, and expressed a willingness to vote to support the proposal. Committee Chair Horton referred Ms. Steel's question about timing on the legislation to Mr. McKeeman for response. Mr. McKeeman stated that although it is late in the current Legislative Session, a budget bill may be a vehicle for the suggestion. He also stated that he is looking for direction or a test of sentiment from the Board as tax experts since that is usually the first question asked by Legislative staff.

Board Chair Yee stated that we have to be realistic about the suggestion and it may not be responsible to move such a proposal forward because of its General Fund impact. Ms. Yee suggested slowing down the proposal, taking the time to vet the issues, and bringing the proposal back in the Fall. Ms. Yee also offered to facilitate a discussion between the interested parties and the Administration and the Legislature.

Acting Board Member Alby stated that the suggestion was a good idea and questioned why the concept can't be approved since concepts have been approved in the past. She would like to have the Board support the concept.

Committee Chair Horton indicated that the legislative, budgetary, and policy impacts of the proposal need to be sorted out and considered at a later date. Mr. Horton also agreed with Ms. Yee that it is not wise to act on the suggested proposal now given the current budget challenges.

Board Member Steel asked if Board staff should be given direction on how to proceed and a timeline, and if not, she indicated a desire to vote on the suggestion. Mr. Horton referred Ms. Steel's timeline question, as well as plans for legislation, to Mr. McKeeman for response.

Mr. McKeeman stated that CIOMA is exploring the possibility that the suggestion be part of the budget bill. He has had discussions with key legislative staff, and while they are sympathetic to CIOMA's issues, he doesn't know how far that will take them. Mr. McKeeman also stated it would be ideal to advance the suggestion by working with Board staff to develop, and obtain a Board position of support. However, he stated he would continue pursuing a legislative solution in the current session.

Committee Chair Horton directed staff to work with CIOMA on the suggestion and to bring it back to the Board when the concept is solidified.

Board Chair Yee recognized the difficulty in bringing the proposal to the Board this year with it being so late in the Legislative Session. Ms. Yee reiterated that the proposal was not fully fleshed out and that it is not realistic for these issues to be resolved by the Board's August Board meeting. Included amongst the nettlesome problems are (1) the appropriate allowance level, (2) the constitutional questions having to do with use of transportation funds for the credit, (3) distinguishing this particular program from others where similar recompense is not allowed, and (4) the Board's administrative issues. Ms. Yee stated that the suggestion needs to be explored and reiterated Mr. Horton's caution about taking a position on a credit where other taxpayers face similar burdens.

Mr. Horton concluded the discussion.

No Vote Taken.

II. 2010 LEGISLATIVE BILLS

Recommendation for Board Position:

<u>Bill No</u>	<u>Author</u>	<u>Date</u>	<u>Subject</u>	<u>Committee Recommendation</u>	<u>Status</u>
SB 884	Ashburn and Runner	As proposed to be amended	Use Tax Registrants: Due Dates	Support (5-0)	Senate Appropriations

Committee Discussion

There was a speaker on this item, Ms. Gina Rodriguez of Spidell Publishing, who informed the Board that Spidell was withdrawing its support for the bill based on the latest amendments, as Spidell had consistently advocated pushing the filing deadline out past the main income tax filing season and to coordinate the filing with the extended due date for income tax returns. She further stated that Spidell would continue to assist taxpayers through its educational efforts in the community.

<u>Bill No.</u>	<u>Horton</u>	<u>Yee</u>	<u>Alby</u>	<u>Steel</u>	<u>Chiang/ Mandel</u>	<u>Committee Recommendation</u>
BUSINESS TAXES SALES AND USE TAXES						
Suggestion No. 3-7						Discussion only. No Vote Taken.
Recommendation for Board Position:						
SB 884 Ashburn And Runner	Y	Y	Y	Y	Y	Support (5-0)

Approved:



Mr. Jerome Horton, Chair
Board Member
Board Legislative Committee

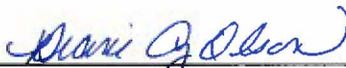


Ramon J. Hirsig, Executive Director

BOARD APPROVED

8/25/2010

at the August 25, 2010 Board Meeting



Diane Olson, Chief
Board Proceedings Division

July 13, 2010