



**STATE BOARD OF EQUALIZATION
STAFF LEGISLATIVE ENROLLED BILL ANALYSIS**

DRAFT

Date:	Enrolled	Bill No:	<u>Assembly Bill 1126</u>
Tax Program:	Transactions and Use	Author:	Calderon
Sponsor:	Board of Equalization	Code Sections:	RTC 7261 & 7262
Related Bills:		Effective Date:	01/01/13

BILL SUMMARY

This Board of Equalization (BOE)-sponsored bill updates references to the transactions and use tax rate of 0.125 percent (formerly 0.25 or multiples of 0.25 percent) to make them consistent with recently amended statutes.

ANALYSIS

CURRENT LAW

Assembly Bill 686 (Chapter 176, Huffman, Stats. 2011), amended Sections 7285, 7285.5, 7285.9 and 7285.91 of the Transactions and Use Tax Law to decrease the rate at which a city or county may levy, increase, or extend a transactions and use tax to a rate of 0.125, or multiples of 0.125 percent (formerly 0.25 or multiples of 0.25 percent). These provisions become effective January 1, 2012.

Under existing law, Section 7285 authorizes a county to impose a transactions and use tax (also known as district taxes) for general purposes at a rate of 0.125, or multiple of 0.125 percent (effective January 1, 2012), if the ordinance proposing the tax is approved by a two-thirds vote of the board of supervisors and a majority vote of the qualified voters of the county. Section 7285.5 authorizes a county to impose a district tax for special purposes at a rate of 0.125, or multiples of 0.125 percent (effective January 1, 2012), if the ordinance proposing the tax is approved by a two-thirds vote of the board of supervisors and a two-thirds vote of the qualified voters of the county.

With respect to cities, Section 7285.9 authorizes a city to impose a district tax for general purposes at a rate of 0.125 or multiples of 0.125 percent (effective January 1, 2012), if the ordinance proposing the tax is approved by a two-thirds vote of all members of the governing body and a majority vote of the qualified voters of the city. Section 7285.91 authorizes a city to impose a district tax for special purposes at a rate of 0.125 or multiples of 0.125 percent (effective January 1, 2012), if the ordinance proposing the tax is approved by a two-thirds vote of all member of the governing body and a two-thirds vote of the qualified voters of the county.

Under existing law, Section 7261 provides that a district (sales) tax is imposed on retailers for the privilege of selling tangible personal property in a district. Section 7262 provides that a district use tax is imposed upon the storage, use, or other consumption of tangible personal property stored, used, or consumed in a district. The district (sales) and use taxes pursuant to these statutes are imposed at rates of 0.25 percent or multiples of 0.25 percent on the gross receipts from the sales within the district of tangible personal property sold at retail or of the sales price of tangible personal property whose use, storage, or consumption within the district is subject to tax. In

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.

order to make Sections 7261 and 7262 consistent with the newly amended Sections 7285, 7285.5, 7285.9, and 7285.91 of the Transactions and Use Tax Law, the relevant sections should be amended to change the 0.25 percent rate to a rate of 0.125, or multiples of 0.125 percent.

PROPOSED LAW

This bill changes the rate in Sections 7261 and 7262 to make those sections consistent with the rate contained in Sections 7285, 7285.5, 7285.9, and 7285.91 of the Transactions and Use Tax Law.

The bill would become effective on January 1, 2013.

IN GENERAL

Cities and counties may impose a district tax for general or specific purposes. These taxes can be imposed either directly by the city or county or through a special purpose entity established by the city or county. Counties can also establish a transportation authority to impose district taxes under the Public Utilities Code.

Beginning April 1, 2012, there will be 138 local jurisdictions (city, county, and special purpose entity) imposing a district tax for general or specific purposes. Of the 138 jurisdictions, 40 are county-imposed taxes and 98 are city-imposed taxes.

The maximum combined rate of all district taxes imposed in any county cannot exceed 2 percent. The city district taxes count against the 2 percent maximum. District taxes increase the tax rate within a city or county by adding the district tax rate to the combined state and local (Bradley-Burns local tax) tax rate of 7.25 percent.

Generally, district tax rates are imposed at a rate of 0.25 percent or 0.25 percent increments up to the 2 percent limit. Currently, the district tax rates vary from 0.10¹ percent to 1 percent. The combined state, local, and district tax rates range from 7.375 percent to 8.25 percent, with the exception of the cities of South Gate and Pico Rivera (9.75%) in Los Angeles County².

Some cities and counties have more than one district tax in effect, while others have none. A listing of the district taxes, rates, and effective dates is available on the BOE's website: www.boe.ca.gov/sutax/pdf/districtratelist.pdf.

COMMENTS

- 1. Sponsor and Purpose.** The purpose of this BOE-sponsored bill is to make simple technical changes to the transactions and use tax rates within the Transactions and Use Tax Law.
- 2. This bill contains technical changes only.** The provisions would simply change the rate in Sections 7261 and 7262 to make those sections consistent with the rate

¹Some cities and counties are authorized by special legislation to impose a district tax at a rate other than a 0.25 percent. For example, the Fresno County Zoo Authority imposes a district tax at a rate of 0.10 percent.

²In 2003, SB 314 (Ch. 785, Murray) authorized the Los Angeles County Metropolitan Transportation Authority to impose a 0.50 district tax for specific transportation projects, and excluded that 0.50 percent tax from the 2 percent limitation. In 2009, voters within Los Angeles County approved an additional 0.50 percent effective July 1, 2009. The 0.50 percent tax increase in Los Angeles County raised the tax rate in the cities of South Gate and Pico Rivera from 9.25 to 9.75 percent.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.

contained in other sections of the Transactions and Use Tax Law that were recently amended.

COST ESTIMATE

This bill would not impact the BOE's administrative costs.

REVENUE ESTIMATE

This bill would not impact the state's or local government's revenues.

Analysis prepared by:	Debra Waltz	916-324-1890	09/12/12
Contact:	Robert Ingenito	916-322-2376	
Is			1126abENR12dw.doc

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.