



**STATE BOARD OF EQUALIZATION
STAFF LEGISLATIVE BILL ANALYSIS (SHORT FORM)**

Date Amended	05/31/01	Bill Number:	AB 984
Tax:	Income	Author:	Papan
Board Position:		Related Bills:	

We are following this bill but will not prepare a standard analysis on it in its present form.

COMMENTS

The May 31, 2001, amendments deleted the proposed sales and use tax exemption for the sale and leaseback of public passenger transportation vehicles when sold or leased by a transit authority, special district, or governmental entity.

As amended, this bill would require the Franchise Tax Board to conduct a study on the use of sale and leaseback and lease and sub-leaseback financing transactions by California transit agencies for the lease or sublease of public passenger transportation vehicles. The study shall address issues concerning compliance with federal law, including Department of Treasury Ruling 99-14. This bill would also require the Franchise Tax Board, in consultation with the State Board of Equalization, to include in this study the estimated impact on the General Fund that would occur if the gross receipts from leases and subleases of public transportation vehicles by California transit agencies, that would otherwise be subject to California's Sales and Use Tax Law, were exempted from the imposition of sales and use taxes. The Franchise Tax Board shall complete this study and report its findings to the Legislature on or before July 1, 2002. An appropriation in the amount of \$100,000 would be made from the General Fund to the Franchise Tax Board for the purpose of conducting the study required by this bill.

Since a transit agency may not depreciate an asset for tax purposes, the depreciation of these assets for tax purposes by the entity entering into the sale/leaseback agreement with the transit agency would have a revenue impact for the purpose of income taxes. Therefore, the Franchise Tax Board is the correct agency to be conducting the study required by this bill. The Board of Equalization will continue to follow this bill for informational purposes.

Analysis prepared by: Bradley E. Miller 445-6662 06/13/01
 Contact: Margaret S. Shedd 322-2376
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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 Board's formal position.