

For the second year in a row, Coronavirus implications limited the number of proposed bills to level far below traditional numbers submitted during the first stages of the legislative process. The State Legislature met the first bill introduction deadline with less focused activity than in previous years. February 19th was the first deadline to introduce bills in this legislative cycle. Hearings are now being scheduled for these bills. There will be two hearings a day due to public health guidelines which will limit the legislature's ability to act on the proposed bills.

Many bills introduced in this session will make nonsubstantive changes or state the intent of the legislation without offering any more information. These are called "spot" and "intent" bills respectively. They must be amended by March 22nd in the Assembly or March 29th in the Senate in order to be referred to policy committees.

Recent political movement across the state could shift the governorship to new management. There are currently 1.8 million signatures attached to the recall effort to unseat Governor Gavin Newsom. The threshold for the recall is set at 1.5 million verified signatures. The deadline to gather signatures is March 17th so the state will not know if the recall effort will move forward until the end of April.

The following includes updates for 2021 legislative statuses on bills related to sales and use tax, medical and adult use cannabis taxation and regulation, property taxation, economic development and business licenses that HdL has been tracking.



Sales and Use Tax Legislation

SB 792 (GLAZER D) SALES AND USE TAX REPORTING FOR RETAILERS

This bill would require a retailer whose annual sales of tangible personal property transacted online exceeded \$1,000,000 for the previous calendar year to track and report to the CDTFA, the city or ZIP code where the purchaser resides for each sale within the state that is transacted online, as specified.

Status: Referred to Governance and Finance Committee.

AB 1163 (NAZARIAN D) LOCAL GOVERNMENT TAXATION GROCERY PROHIBITION

Current law, until January 1, 2031, prohibits the imposition, increase, levy and collection, or enforcement by a local agency of any tax, fee, or other assessment on groceries, except as provided, and allows a local agency to continue to levy and collect, enforce, or reauthorize any tax, fee, or other assessment on groceries imposed, extended, or increased on or before January 1, 2018. Current law also requires the California Department of Tax and Fee Administration (CDTFA) to cease administering the Bradley-Burns local sales and use tax of a local agency that is found by a court, as provided, to have violated the grocery tax prohibition. This bill would repeal the prohibition on the imposition, increase, levy and collection, or enforcement by a local agency of any tax, fee, or other assessment on groceries, including the requirement that the department cease administering a local sales and use tax.

Status: May be heard in committee on March 21.

AB 1402 (LEVINE D) MARKETPLACE FACILITATOR FEE COLLECTION

Current law treats any marketplace facilitator that is registered or required to register under the Sales and Use Tax Law and who facilitates a retail sale of tangible personal property by a marketplace seller, as defined, as the retailer selling or making the sale of the tangible personal property sold through its marketplace for purposes of paying any sales taxes and collecting any use taxes. Current law requires a marketplace seller to register with the CDTFA for purposes of sales and use taxes for sales made on its own behalf and not facilitated by a registered marketplace facilitator. Current law grants marketplace facilitators relief from liability for the tax on a retail sale in specified circumstances. This bill would extend the requirements of a marketplace facilitator relating to registration pursuant to the Sales and Use Tax Law to any law that imposes a fee administered pursuant to the Fee Collection Procedures Law.

Status: Read first time.

SB 415 (MELENDEZ R) MOTOR VEHICLE FUEL TAX

Article XIX of the California Constitution restricts the expenditure of revenues from the motor vehicle fuel tax and other taxes imposed by the state on fuels used in motor vehicles upon public streets and highways to street and highway and certain mass transit purposes. Current law requires a portion of the net revenues from that tax on motor vehicle fuel to be apportioned monthly among counties and cities pursuant to a specified formula, which includes a requirement that the base sum be computed using a specified metric. This bill would require the base sum to be calculated, rather than computed, using that metric and that the calculation of the apportionment be disclosed and made available to the public.

Status: Referred to Transportation Committee.

SB 771 (BECKER D) ZERO EMISSIONS VEHICLE EXEMPTION

Existing state sales and use tax laws impose a tax on retailers measured by the gross receipts from the sale of tangible personal property sold at retail in this state or on the storage, use, or other consumption in this state of tangible personal property purchased from a retailer for storage, use, or other consumption in this state. The Sales and Use Tax Law provides various exemptions from those taxes. This bill, on or after January 1, 2022, would provide an exemption from those taxes with respect to the sale in this state of, and the storage, use, or other consumption in this state of, an electric or a hybrid electric vehicle for which the final listing price is not greater than \$25,000.

Status: May be acted upon on or after March 24. Read first time.



Cannabis-Related Legislation

AB 45 (AGUIAR-CURRY D) INDUSTRIAL HEMP PRODUCTS

This bill would require a manufacturer of dietary supplements and food that includes industrial hemp to be able to demonstrate that all parts of the plant used come from a state or country that has an established and approved industrial hemp program, as defined, that inspects or regulates hemp under a food safety program or equivalent criteria to ensure safety for human or animal consumption and that the industrial hemp cultivator or grower is in good standing and compliance with the governing laws of the state or country of origin.

Status: Referred to Health Committee.

AB 273 (IRWIN D) CANNABIS ADVERTISEMENTS ON HIGHWAYS

MAUCRSA prohibits a licensee from advertising or marketing on a billboard or similar advertising device located on an interstate highway or on a state highway that crosses the California border. This bill instead would prohibit a licensee from advertising or marketing on a billboard or similar advertising device visible from an interstate highway or on a state highway within California.

Status: Referred to Business and Professions Committee.

AB 1138 (RUBIO D) UNLAWFUL CANNABIS ACTIVITY ENFORCEMENT

This bill would impose a civil penalty on persons aiding and abetting unlicensed commercial cannabis activity of up to \$30,000 for each violation. The bill would prohibit filing an action for civil penalties brought against a person pursuant to MAUCRSA 3 years after the first date of discovery of the violation by a licensing authority or a participating agency, whichever is earlier or earliest.

Status: May be heard in committee on March 21.



Property Tax Legislation

AB 119 (SALAS D) COUNTY ASSESSORS DIRECT LEVIES

Current law requires each county to have a county assessor who is designated to perform the duty of assessing property for a local taxing jurisdiction who performs certain duties and defines certain responsibilities of the county assessor. Current law defines tax rate areas for the purpose of property tax allocation. This bill would require county assessors to make publicly available on their internet websites information about direct levies, as defined, applicable to each tax rate area within the county.

Status: Re-referred to Local Government Committee.



Economic Development

AB 726 (GARCIA, E D) QUALIFIED MANUFACTURING FACILITY

This bill would add a business engaged in manufacturing of fuels, electrical parts, or components used in the field of clean transportation or the production of alternative fuel vehicles or electric vehicles to the list of business that may operate a qualified manufacturing facility.

Status: Referred to Local Government Committee.

SB 87 (CABALLERO D) ESTABLISHMENT OF CALIFORNIA SMALL BUSINESS COVID-19 RELIEF GRANT PROGRAM WITHIN CALOSBA

This would establish the California Small Business COVID-19 Relief Grant Program within CalOSBA to assist qualified small businesses affected by COVID-19 through administration of grants. The bill would require CalOSBA to provide grants to qualified small businesses, as defined, in accordance with specified criteria, including geographic distribution based on COVID-19 restrictions, industry sectors most impacted by the pandemic, and underserved small businesses. The bill would repeal these provisions on January 1, 2024.

Status: Approved by the Governor. Chaptered by Secretary of State. Chapter 7, Statutes of 2021.



Constitutional Amendments

ACA 1 (AGUIAR-CURRY D) AFFORDABLE HOUSING AND PUBLIC INFRASTRUCTURE VOTER APPROVAL

The California Constitution prohibits the ad valorem tax rate on real property from exceeding 1% of the full cash value of the property, subject to certain exceptions. This measure would create an additional exception to the 1% limit that would authorize a city, county, city and county, or special district to levy an ad valorem tax to service bonded indebtedness incurred to fund the construction, reconstruction, rehabilitation, or replacement of public infrastructure, affordable housing, or permanent supportive housing, or the acquisition or lease of real property for those purposes, if the proposition proposing that tax is approved by 55% of the voters of the city, county, or city and county, as applicable, and the proposition includes specified accountability requirements.

Status: May be heard in committee.

ACA 5 FUEL TAXES, SALES AND USE TAXES, AND FEES EXPENDITURE RESTRICTIONS

The California Constitution restricts the expenditure of revenues from taxes imposed by the state on fuels used in motor vehicles upon public streets and highways to street and highway and certain mass transit purposes. These restrictions do not apply to revenues from taxes or fees imposed under the Sales and Use Tax Law or the Vehicle License Fee Law. This measure would explicitly restrict the expenditure of all interest earned and other increment derived from the investment of those tax revenues and any proceeds from the lease or sale of real property acquired using those tax revenues only for the purposes described above.

Status: *Read first time.*