

12-2009

Revenue and Taxation Legislative Summary - 2009

Assembly Committee on Revenue and Taxation

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**Assembly Committee on
Revenue and Taxation**

California State Legislature

**Revenue and Taxation
Legislative Summary
2009**



Honorable Charles Calderon, Chair

Honorable Chuck DeVore, Vice-Chair

December 2009

Francisco Cortes

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2009

**ASSEMBLY COMMITTEE
ON
REVENUE & TAXATION**

**2009
LEGISLATIVE SUMMARY**

MEMBERS

Honorable Charles Calderon, *Chair*
Honorable Chuck DeVore, *Vice Chair*
Honorable Jim Beall
Honorable Joe Coto
Honorable Diane Harkey
Honorable Fiona Ma
Honorable Jim Nielsen
Honorable Anthony Portantino
Honorable Lori Saldana

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Christine Hiersche, *Committee Secretary*

Assembly California Legislature



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Committee Secretary

2009

LEGISLATIVE SUMMARY

The following is a list of bills adopted by the Legislature during the first year of the 2009-2010 Legislative Session that changed state tax law. The measures are listed in bill number order, with 2009 chapter numbers provided, and the provisions of each bill briefly summarized. The list also includes bills that were adopted by the Legislature but vetoed by the Governor.

The Assembly Revenue and Taxation Committee heard the majority of bills listed in this report.

This publication is intended to be a useful summary of the Legislature's work in the area of revenue and taxation during 2009 and a helpful reference document for anyone who needs to know about state and local taxation law and policy. An electronic copy of this summary is available under "Publications" on the committee's web page at www.assembly.ca.gov.

Copies of analyses of bills heard by the Assembly Revenue and Taxation Committee can be obtained by accessing the Official California Legislative Information internet web page maintained by the Legislative Counsel at www.leginfo.ca.gov, or by writing to the Assembly Revenue and Taxation Committee, Legislative Office Building, 1020 N Street - Room 162, Sacramento, CA 95814.



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ON
REVENUE AND TAXATION**

2009 LEGISLATIVE SUMMARY

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AB 11 (De Leon), Chapter 401.

CORPORATE REORGANIZATION: BUILT-IN LOSSES. Clarifies that Notice 2008-83 issued by the Internal Revenue Service, which exempts banks from the restrictions of Section 382 of the Internal Revenue Code, does not apply for purposes of California income tax laws.

AB 94 (Evans), Chapter 220.

NATURAL HERITAGE PRESERVATION TAX CREDIT ACT OF 2000. Reauthorizes the awarding of tax credits under the Natural Heritage Preservation Tax Credit Act of 2000 through fiscal year 2014-15. Provides that tax credits may only be awarded if the General Fund is fully reimbursed from specified sources.

AB 129 (Ma), Chapter 411.

CONFIDENTIALITY: TAXPAYER COMMUNICATIONS. Extends the application of the attorney-client confidential communication privilege to specified communications between a federally authorized tax practitioner and a taxpayer, where the practitioner is representing the taxpayer on a tax matter before certain state agencies.

AB 143 (Jeffries), Chapter 85.

PROPERTY TAXATION: REPLICATED TAX PAYMENTS: RETURN. Creates a mechanism for a county tax collector to refund a replicated property tax payment to a person who is not the property owner but who has paid the property tax on the current assessment of that property.

AB 292 (Yamada), Chapter 232.

PERSONAL INCOME TAXES: CONTRIBUTIONS: ALZHEIMER'S DISEASE. Extends from January 1, 2010 to January 1, 2015, the sunset date for the statutory provisions authorizing the California Alzheimer's Disease and Related Disorders Research Fund voluntary contribution.

AB 404 (Eng), Chapter 504.

INCOME TAXES: EXEMPTION: CHARITABLE ORGANIZATIONS: ADMINISTRATION. Makes several modifications to Revenue and Taxation Code Section 23701d, which governs specified nonprofit organizations generally exempt from taxes imposed under the Corporation Tax Law. Among other things, provides that a Section 23701d organization shall be exempt from state taxes upon submission of an Internal Revenue Service determination letter recognizing the organization's exemption under Internal Revenue Code Section 501(c)(3).

AB 563 (Cook), Chapter 451.

PERSONAL INCOME TAXES: CONTRIBUTIONS: CALIFORNIA MILITARY FAMILY RELIEF FUND. Modifies the statutory provisions governing the California Military Family Relief Fund (Fund) to address concerns that the prior grant program may have unintentionally violated the Department of Defense's Joint Ethics Regulations. In addition, reduces the Fund's minimum contribution amount to \$250,000 for calendar year 2009 only.

AB 824 (Harkey), Chapter 477.

PROPERTY TAXATION: ASSESSMENT PROCEDURES. Allows an assessment appeals board to hear and decide property tax appeals filed in another county by a person who has a conflict of interest with the board in his/her county. Extends the application of existing conflict-of-interest provisions to certain employees of the office of county counsel.

AB 1422 (Bass), Chapter 157.

HEALTH CARE PROGRAMS: CALIFORNIA CHILDREN AND FAMILIES ACT OF 1998. Imposes a tax at the rate of 2.35% on the total operating revenue of Medi-Cal managed care plans, increases, in specific circumstances, the premiums paid by families for children enrolled in the Healthy Families Program, and provides the California Children and Families Commission with increased flexibility to transfer moneys among its various funds.

AB 1486 (Furutani), Chapter 538.

SALES AND USE TAXES: CONSUMER: NONPROFIT MEMBERSHIP ORGANIZATIONS. Provides that specified tax-exempt organizations shall be deemed consumers, rather than retailers, with respect to certain transfers of tangible personal property (i.e., promotional items bearing the organization's logo) to their members.

AB 1545 (Assembly Revenue and Taxation Committee), Chapter 152.

UNIFORM PRINCIPAL AND INCOME ACT (UPIA): TRUST ADMINISTRATION: INCOME AND PAYMENTS. Brings the California UPIA into compliance with the Internal Revenue Service's Revenue Ruling 2006-26, relating to a marital deduction for retirement plans. Provides a formula, in the case of a distribution made to a mandatory income trust from a pass-through entity, for calculating the amount required to be distributed to the beneficiary and the amount that may be retained by the trust to pay income taxes.

AB 1546 (Assembly Revenue and Taxation Committee), Chapter 544.

TAXATION: LIMITED PARTNERSHIPS: INCOME TAX: DEPENDENT EXEMPTION CREDIT: CORPORATION TAX APPORTIONMENT. Requires a canceled domestic limited partnership that is seeking to revive its active status to pay outstanding fees, file missing tax returns, and pay a service fee for any expedited revival requests. Makes several non-substantive, technical changes to the Personal Income Tax Law and the Corporation Tax Law relating to the dependent exemption credit, underpayment penalties, and business income apportionment formulas.

AB 1547 (Assembly Revenue and Taxation Committee), Chapter 545.

STATE BOARD OF EQUALIZATION: TAXES AND FEES. Implements various technical tax proposals sponsored by the State Board of Equalization. Among other things, increases the reinstatement fee on suspended or revoked seller's permits from \$50 to \$100, and clarifies the definition of "California resident" and the exception for repair, retrofit, or modification for purposes of the 12-month test for out-of-state purchases of vehicles, vessels, and aircraft.

AB 1568 (Salas), Chapter 299.

PROPERTY TAXATION: DISASTER RELIEF: CHILDREN'S HEALTH AND HUMAN SERVICES SPECIAL FUND. Adds specified wildfires to the list of disasters eligible for beneficial homeowners' property tax exemption treatment, and special "carry forward" treatment of excess disaster losses. In addition, creates the Children's Health and Human Services Special Fund in the State Treasury to receive revenues derived from the imposition of tax on Medi-Cal managed care plans under Revenue and Taxation Code Section 12201 *et seq.*

AB X3 3 (Evans), Chapter 18.

INCOME TAXES: SALES AND USE TAXES: VEHICLE LICENSE FEES. Temporarily increases through June 30, 2011, the rate of the state Sales and Use Tax by 1%, and the rate of the vehicle license fee (VLF) from 0.65% to a rate of 1.15%. The VLF rate increase became effective for registrations beginning May 19, 2009 (corresponding to the timing of a weekly VLF billing cycle). Additionally, for tax years 2009 and 2010, this measure reduces the dependent credit amount under the Personal Income Tax (PIT) from \$309 to \$99, and temporarily adds to each marginal PIT rate an additional increase of either 0.25 percentage point, or 0.125 percentage point, depending on the determination made by the Director of Finance regarding the amount of funds from the federal stimulus package that can be used to offset General Fund expenditures. Finally, this bill makes an equivalent temporary change to the Alternative Minimum Tax rate - adding either 0.125% or 0.25% to the current rate of 7.0%.

AB X3 15 (Krekorian), Chapter 10.

TAXATION: CREDITS: APPORTIONMENT: SALES FACTOR. Enacts the fiscal stimulus revenue provisions of the 2009-10 Special Session Budget Agreement. Specifically, this bill, for taxable years beginning on or after January 1, 2009, allows a qualified employer to claim an income tax credit of \$3,000 for each additional full-time employee hired by the employer during the taxable year. The credit is subject to a cap and is prorated if the employee works fewer than 12 months during the employer's tax year. The credit is only available to a business that has 20 or fewer employees on the first day of the taxable year and must be claimed on a timely filed original return received by the Franchise Tax Board (FTB) on or before any cut-off date established by the FTB. The cut-off date for

claiming the credit will be the last day of the calendar quarter within which FTB estimates that the aggregate amount of credit claimed pursuant to this bill, under both the Personal Income Tax and the Corporation Tax laws, has reached \$400 million. This bill also allows most multi-state businesses to apportion income to California using only their percentage of sales in California as an alternative to using the current apportionment methodology, which averages a business's proportion of sales, property, and payroll in California (with the sales factor double-weighted). This provision will be effective starting in tax year 2011 and is permanent. Businesses that derive more than 50% of their gross receipts from agriculture, extractive business, savings and loans, or banks and financial activities will continue to use the three-factor apportionment formula. Finally, this bill establishes a motion picture production tax credit, requiring the California Film Commission to administer a motion picture production tax credit allocation and certification program. It specifies that the commission will allocate \$100 million of credit authorizations each year during the period 2009-10 through 2013-14 on a first-come, first-served basis, with 10% of the allocation reserved for independent films. Taxpayers may use certified credits in a number of ways: claim the credit directly, assigning it to another member of their unitary group, selling it to other taxpayers, or electing to apply the credit against their sales and use tax liability.

AB X4 17 (Committee on Budget), Chapter 15.

TAXATION. Increases tax withholding schedules by 10% and requires individual and corporate taxpayers to accelerate estimated payments by remitting 30% of their estimated annual income or corporate tax liabilities in April, and 40% in June.

AB X4 18 (Committee on Budget), Chapter 16.

TAXATION. In modified conformity with federal income tax law, requires backup withholding, as provided, at a rate of 7% on specified payments, including compensation for services, made on or after January 1, 2010, whenever such payments are subject to federal back-up withholding. Also, this measure requires non-retailing businesses with receipts of more than \$100,000 to register with the State Board of Equalization and to report and pay by April 15 the use tax owed for the previous calendar year, as provided.

* * * * *

SB 27 (Hancock), Chapter 4.

LOCAL AGENCIES: SALES AND USE TAX: REALLOCATION.

Prohibits local agencies from entering into an agreement with a retailer (or their agent) that calls for the payment, diversion, or rebate of Bradley-Burns local sales and use tax proceeds if the agreement results in a reduction in the amount of revenue received by another local agency from a retailer located within that other local agency, and the retailer continues to maintain a physical presence in that other local agency, with specified exceptions.

SB 91 (Correa), Chapter 29.

INCOME TAXES: DESIGNATED CONTRIBUTIONS: SENIOR

CITIZENS. Extends, from January 1, 2010, to January 1, 2015, the sunset date for the statutory provisions authorizing the California Fund for Senior Citizens checkoff, which funds the operation of the California Senior Legislature.

SB 765 (Dutton), Chapter 615.

**SALES AND USE TAXES: EXEMPTIONS: THRIFT STORES
OPERATED BY DESIGNATED ENTITIES ON MILITARY**

INSTALLATIONS. Provides a sales and use tax exemption for property sold by specified thrift stores located on military installations. Specifically, the thrift store must, in partnership with the United States Department of Defense, provide financial, educational, and other assistance to members of the Armed Forces, eligible family members, and survivors in need.

SB 809 (Senate Veterans Affairs Committee), Chapter 621.

**SALES AND USE TAXES: CONSUMERS: VETERANS: ITINERANT
VENDORS.** Provides that a "qualified itinerant vendor" (QIV) is a consumer, and not a retailer, of tangible personal property (TPP) the QIV owns and sells, except alcoholic beverages or TPP sold for more than \$100.

SB 816 (Ducheny), Chapter 622.

PROPERTY TAXATION. Implements various changes to the Revenue & Taxation Code sponsored by the California Assessors' Association. Among other things, requires the county assessor to disclose information, furnish abstracts, or permit access to all records in his/her office to the county recorder when conducting an investigation to determine whether a documentary transfer tax is imposed. Modifies the trigger for imposing an existing penalty for the failure to file a change in ownership statement. Specifies that, whether the amount of documentary transfer tax is determined by an administrative appeal process or established by a court, the value of the property established for purposes of determining the amount of documentary transfer tax due shall not be binding on the determination of the value of that property for property tax purposes.

SB 822 (Senate Revenue and Taxation Committee), Chapter 204.

PROPERTY TAXATION: LOCAL ADMINISTRATION. Makes various non-controversial changes to the administrative provisions of the property tax law sponsored by the California Assessors' Association. Among other things, requires county assessors to supply information from disabled veterans' property tax exemption claims and county records to the State Board of Equalizations (BOE), as specified by BOE's written request, in order to prevent approvals of multiple disabled veterans' property tax exemption claims within the state for the same homeowners. Allows a property owner to file with the local county assessor a scale copy of an approved building plan in either a paper or an electronic format. Deletes, in the case of a corporate owner of property, a requirement that the employee or agent who signs the property statement be designated in writing by the board of directors, and permits a county assessor to make a separate valuation for a parcel covered by a subdivision map filed for record after the lien date immediately preceding the current fiscal year, if the board of supervisors of that county has adopted an ordinance allowing separate valuation. Increases from \$5,000 to \$10,000 the maximum amount of the "low-value ordinance" exemption that may be granted by each county board of supervisors to real or personal property qualified for that exemption.

SB 823 (Senate Revenue and Taxation Committee), Chapter 17.

PROPERTY TAXATION. Makes several technical changes to various provisions of the property tax law. Among other things, requires a county

to return a replicated property tax payment to the tendering party within 60 days of the date the payment becomes final, instead of the 60 days following the receipt of that payment. Specifies that, only if a property tax payment is made through the tax collector's authorized website or telephone number, the payment is deemed received on the date the taxpayer completes the electronic payment. Authorizes a county board of supervisors to rescind a sale of tax-defaulted property, under specified circumstances.

SB 824 (Senate Revenue and Taxation Committee), Chapter 67.

TAXATION. Makes various changes to the administrative provisions of the property tax law. Among other things, authorizes the Board of Equalization (BOE) to hold the required monthly meetings at times and places as directed by the chairperson, provided that BOE holds at least one regular meeting in Sacramento each quarter. Revises the definition of real property "substantially damaged or destroyed" by a disaster to specify that land and improvements made on that land are considered to be separate units. Revises the filing procedures and requirements applicable to a church or a nonprofit organization claiming a property tax welfare exemption in the case of a property leased to public schools, as specified. Expands the list of eligible lessees that may lease property from a church or a non-profit organization to include public schools and the University of California.

SB X2 15 (Ashburn), Chapter 11.

PERSONAL INCOME TAXES: CREDIT: PRINCIPAL RESIDENCE. Establishes a personal income tax credit of the lesser of \$10,000 or 5% of the purchase price for the purchase of a principal residence that has never been occupied. The purchase of a qualifying principal residence must be made on or after March 1, 2009, and before March 1, 2010. The credit will be provided in equal amounts (\$3,333 for the \$10,000 credit) over the three successive taxable years beginning with the year in which the purchase is made. Limits the total amount of credits that may be claimed under this bill to \$100 million. Credit reservations will be allowed on a first-come, first-served basis. Requires the Franchise Tax Board to keep a running tally of the certifications received and disallows the reservation and subsequent use of any credit after the amount reserved reaches \$100 million (10,000 credits).

SB X3 15 (Calderon), Chapter 17.

TAXATION: CREDITS: APPORTIONMENT: SALES FACTOR. Enacts the fiscal stimulus revenue provisions of the 2009-10 Special Session Budget Agreement. Specifically, this bill contains provisions identical to those in AB X3 15 (Krekorian), Chapter 10.

SJR 1 (Ducheny), Chapter 95.

REMOTE SALES: USE TAXES. Urges members of the California congressional delegation to join in support of legislative action by the United States Congress to allow states to collect use taxes on remote sales, provided that an exception from this requirement is made for small businesses.

VETOED

AB 267 (Torlakson). EDUCATION FINANCE DISTRICTS: TAXES. Authorizes an education finance district, as defined, to impose a qualified special tax, as defined, within the district.

Governor's Veto Message:

"The education finance district model proposed by this bill could allow for manipulation of parcel tax boundaries for the purpose of achieving the desired election outcome. I am concerned that voters and property owners in one county or school district could be subject to an increased special tax based on votes generated predominately in another county or school district."

AB 311 (Ma). PROPERTY TAXATION: CERTIFICATED AIRCRAFT ASSESSMENT. Extends the Centralized Fleet Calculation Program for statewide assessment of certificated aircraft for property tax purposes until fiscal year 2014-15.

Governor's Veto Message:

"This bill is intended to represent the continuation of an important tax assessment methodology that was agreed to by all the major airlines in 2005. The original methodology brought consistency and greater efficiency to the assessment of certificated aircraft. However, this bill makes changes

that do not reflect consensus. Since the existing methodology does not end until December 31, 2010, I would encourage the author and stakeholders to reach that consensus and send me legislation to that effect."

AB 469 (Eng). SALES AND USE TAXES: QUALIFIED USE TAX PAYMENT. Eliminates the election to report and pay qualified use tax (QUT) on an acceptable tax return, and instead, requires any taxpayer who fails to report and pay QUT pursuant to the Sales and Use Tax Law to report and remit the QUT on a return.

Governor's Veto Message:

"I have vetoed a similar measure before. My concerns with the bill remain the same. This bill exposes individual taxpayers to additional recordkeeping and confusion about a tax that few Californians understand and even fewer track for tax purposes."

AB 659 (Hayashi). SALES AND USE TAXES: CONSUMER: GARMENT CLEANER. Provides that specified garment cleaning businesses shall be regarded as consumers, rather than retailers, of tangible personal property they sell, provided those sales do not exceed 0.5% of their total gross receipts for the preceding calendar year.

Governor's Veto Message:

"While I appreciate the author's intent, I would argue that the Legislature needs to consider much larger reforms to the state's tax system. California's tax system is extremely complicated and needs significant changes, as outlined in the final report recently released by the Commission on the 21st [Century] Economy. This issue, along with many other important changes, should be considered as part of an overall tax reform measure."

AB 692 (Charles Calderon). INCOME AND CORPORATION TAXES: FEDERAL TAX CONFORMITY. Specifies the circumstances when a federal regulation or federal administrative guidance is considered to be "in conflict with" the provisions of the Personal Income Tax Law and the Corporation Tax Law.

Governor's Veto Message:

"This bill is unnecessary. A single instance in which a controversial federal rule was later revoked by a federal statute is not a reason to give broad, unchecked authority to the Franchise Tax Board for choosing whether or not to conform to future federal tax guidance.

"To specifically address the controversial federal rule, I am signing Assembly Bill 11. This measure will bolster the regulatory action taken by the Franchise Tax Board on this specific federal issue, while also protecting the state's General Fund against potential legal challenges."

AB 852 (Fong). PROPERTY TAXATION: STATEMENT. Authorizes county assessors to require electronic filing of annual business property statements in the format prescribed by the Board of Equalization (BOE). Requires BOE to adopt standard equipment codes for purposes of completing business property statements.

Governor's Veto Message:

"While I appreciate the intent to encourage electronic filing, I believe this bill imposes an additional burden on businesses during a time of extreme economic hardship. Additionally, the threshold of \$100,000 is not sufficiently high to target those businesses which have the greatest capacity to easily comply with such a mandate."

AB 1049 (Torrico). PERSONAL INCOME TAXES: VOLUNTARY CONTRIBUTIONS: SAFELY SURRENDERED BABY FUND. Authorizes the addition of the Safely Surrendered Baby Fund (Fund) checkoff to the personal income tax form upon the removal of another voluntary contribution fund from the form. Specifically provides that Fund moneys shall be allocated to the State Department of Social Services for programs to increase public awareness of the Safely Surrendered Baby Law.

Governor's Veto Message:

"I have reviewed the merits of this bill. After careful and deliberative consideration, I do not believe it is necessary to sign this bill at this time."

AB 1087 (Ma). STATE BOARD OF EQUALIZATION: SALES AND USE TAXES: ADMINISTRATION: TRANSPORTATION CHARGES: PUBLIC CONTRACTS WITH EXPATRIATE CORPORATIONS: TAX TREATY. Provides that transportation charges are separately stated for purposes of the existing sales and use tax exclusion if the charges are stated as a single amount and are not included within a single amount that combines transportation charges with other charges (e.g., handling charges). In addition, modifies the definition of an "expatriate corporation" for purposes of the California Taxpayer and Shareholder Protection Act of 2003. Specifically provides that, to be deemed an

"expatriate corporation", the foreign incorporated entity must be domiciled in a jurisdiction that does not have an income tax treaty with the United States.

Governor's Veto Message:

"Measures that increase the sales and use tax revenues collected by the state must be approved by two-thirds of the Legislature as required by Proposition 13. While I understand the author's intent to simplify the calculation of sales and use taxes, this bill would directly increase the amount of sales tax revenue collected from the consumer. Thus, this bill is a tax levy and requires a two-thirds vote of the Legislature.

"Since this bill was only approved by a majority vote, this bill presents constitutional issues. For this reason, I will not reconsider this bill until it receives a two-thirds vote of the Legislature."

AB 1580 (Charles Calderon). TAXATION: FEDERAL CONFORMITY. Conforms specified provisions of the California Personal Income Tax Law, Corporation Tax Law, and administration of franchise and income tax laws to federal income tax laws as set forth in the Internal Revenue Code, as of January 1, 2009.

Governor's Veto Message:

"It is disappointing that a multi-year, complex bill on federal tax conformity is damaged when a single provision is inserted at the last minute, especially when the process up to that point had been built on consensus. There are many federal tax provisions that California does not conform with, many of which would be supported by some of the entities involved. Likewise, when there are provisions that others object to, these should be discarded as well.

"Many provisions in this bill will help taxpayers and the state of California. However, I cannot support this bill until it reflects consensus. I would urge the Legislature to send me legislation that demonstrates the agreements reached prior to the inclusion of the last provision on erroneous refund claims."

AB X1 2 (Evans). SALES, USE, INCOME, FUEL, AND OIL SEVERANCE TAXES. Effective April 1, 2009, repeals the excise tax on motor vehicle fuel and diesel and the state sales tax on motor vehicle fuel. Additionally, this bill increases the sales and use tax rate by 0.5%, from 5% to 5.5%, effective February 1, 2009, and imposes a new severance tax of 9.9% on the extraction of oil from

the earth or water within California's jurisdiction, effective July 1, 2009. Finally, this bill imposes a surtax on the final personal income tax liability of all taxpayers at the rate of 2.5%, which could be adjusted by the Department of Finance in later years, as authorized by this measure. Establishes a balancing mechanism to ensure that this measure is revenue neutral and authorizes the Director of Finance to reset the personal income tax surcharge rate to ensure the measure is revenue neutral. In the event that the surcharge rate is not sufficient to bring the bill into balance, the Director of Finance is authorized to adjust the oil severance tax rate accordingly.

Governor's Veto Message:

"I am returning Assembly Bill X1 2 without my signature because it is part of a bill package that does not deal with California's current budget and economic crisis. This bill package punishes Californians by raising revenue without providing permanent and ongoing cuts, does not create jobs or stimulate our economy, does not allow government to run more efficiently in California, and makes no attempt to keep people in their homes."

AB X1 12 (Evans). TAX: WITHHOLDING ON PAYMENTS FOR GOODS AND SERVICES. Requires businesses and government entities to withhold 3% of payments for goods or services made to independent contractors. Applies to payments exceeding \$600 per calendar year made by a "service-recipient," i.e. any business or government entity that is required to file a federal Form 1099-MISC, for goods delivered, or services performed, by an independent contractor. It does not apply to any of the payments made to independent contractors by individuals or to payments made to tax-exempt entities, foreign governments, or intergovernmental payments. Applies to payments made to the contracting party in any calendar year beginning in 2010.

Governor's Veto Message:

"I am returning Assembly Bill X1 12 without my signature because it is part of a package of bills that does not deal with California's current budget and economic crisis. This package of bills punishes Californians by raising revenue without providing permanent and ongoing cuts, does not create jobs or stimulate our economy, does not allow government to run more efficiently in California, and makes no attempt to keep people in their homes."

SB X1 11 (Ducheny). USER FEE: GASOLINE AND DIESEL FUEL. Effective April 1, 2009, enacts the following new motor vehicle fuel fees: a 39 cents-per-

gallon gasoline fee and a 31 cents-per gallon diesel fuel fee. The revenues would be used to finance state and local transportation projects.

Governor's Veto Message:

"I am returning Senate Bill X1 11 without my signature because it is part of a package of bills that does not deal with California's current budget and economic crisis. This package of bills punishes Californians by raising revenue without providing permanent and ongoing cuts, does not create jobs or stimulate our economy, does not allow government to run more efficiently in California, and makes no attempt to keep people in their homes."

SB X3 17 (Ducheny). TAXATION. Makes various changes to the administrative provisions of state tax law. Among other things, this measure increases tax withholding schedules by 10 percent, requires individual and corporate taxpayers to accelerate estimated payments by remitting 30 percent of their estimated annual income or corporate tax liabilities in April, and 40 percent in June, and imposes withholding on independent contractors beginning January 1, 2010. This bill also creates a financial institution record match system (FIRM) similar to the existing program for child support collections, requires out-of-state sellers that pay commissions to California firms or residents for sales referrals (often through a website link) to collect use tax on their sales to California residents, and, generally, conforms California's income tax laws to federal backup-withholding rules related to various non-wage payments. Finally, this bill requires non-retailing businesses with receipts of more than \$100,000 to register with the Board of Equalization and file annual use tax returns by April 15, permits the state to suspend state occupational and professional licenses because of unpaid income tax liabilities, and strengthens laws related to abusive tax shelters.

Governor's Veto Message:

"I am returning Senate Bill X3 17 without my signature. I have been very clear that the Legislature must solve the entire deficit, must make the hard decisions now, and must not push the problem off to tomorrow. This bill and its companion measure, SB X3 16, do not meet any of those criteria. For these reasons, I am returning this bill without my signature."

APPENDIX I

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