

1-2011

Revenue and Taxation Legislative Summary - 2011

Assembly Committee on Revenue and Taxation

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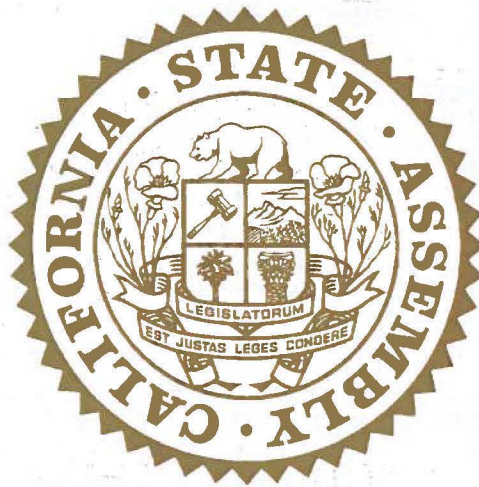
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**Assembly Committee on
Revenue and Taxation**

California State Legislature

**Revenue and Taxation
Legislative Summary
2011**



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**ASSEMBLY COMMITTEE
ON
REVENUE & TAXATION**

***2011
LEGISLATIVE SUMMARY***

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M. David Ruff, *Principal Consultant*
Christine Hiersche, *Committee Secretary*

2011

LEGISLATIVE SUMMARY

The following is a list of tax-related bills that the Legislature adopted during the first year of the 2011-12 Legislative Session. The measures are listed in bill number order, with 2011 chapter numbers provided, and the provisions of each bill are briefly summarized. The list also includes bills that were introduced, but which did not reach the Assembly Floor, as well as bills that were adopted by the Legislature but vetoed by the Governor.

The Assembly Committee on Revenue and Taxation 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 2011. An electronic copy of this document is also available under "Publications" on the committee's web page at www.assembly.ca.gov.

Copies of analyses prepared by the Assembly Committee on Revenue and Taxation 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 Committee on Revenue and Taxation, Legislative Office Building, 1020 N Street - Room 162, Sacramento, CA 95814.

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

2011 LEGISLATIVE SUMMARY

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**ASSEMBLY COMMITTEE
ON
REVENUE AND TAXATION**

2011 LEGISLATIVE SUMMARY

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2011 LEGISLATIVE SUMMARY

ASSEMBLY BILLS

AB 36 (Perea). INCOME AND EMPLOYMENT TAXES: FEDERAL CONFORMITY: HEALTH CARE AND EDUCATION RECONCILIATION ACT OF 2010.

Conforms state law to the federal tax provisions that exclude from the gross income of a parent the value of health care benefits and reimbursements for medical care provided by the parent's employer to an adult child 26 years or younger. This bill applies to expenses incurred, and benefits provided, on or after March 30, 2010.

Status: Chapter 17, Statutes of 2011

AB 50 (Hill). INCOME AND CORPORATION TAXES: GROSS INCOME: EXCLUSION: CAPITAL GAINS: EXCLUSION: DISASTER LOSS CARRYOVERS: SAN BRUNO GAS EXPLOSION.

Excludes from gross income "qualified disaster relief payments" provided to victims of the natural gas transmission line explosion of September 9, 2010, in the City of San Bruno. Specifically, this bill provides that, for purposes of the Personal Income Tax Law, the explosion shall be treated as a "qualified disaster" within the meaning of Internal Revenue Code (IRC) Section 139, which excludes "qualified disaster relief payments" from gross income. Further provides that the explosion shall be treated as a "federally declared disaster" within the meaning of IRC Section 1033, which provides special rules for involuntary conversions caused by such disasters.

Status: Chapter 18, Statutes of 2011

AB 152 (Fuentes). FOOD BANKS: GRANTS: VOLUNTARY CONTRIBUTIONS: INCOME TAX CREDITS.

Provides a specified tax credit to growers who donate fresh fruits or fresh vegetables to food banks in California. Establishes the State Emergency Food Assistance Program (SEFAP) within the Department of Social Services and allows for contributions to SEFAP for the purchase of California grown fresh fruits or vegetables. Requires the Department of Public Health to apply for federal funds available for promoting healthy eating and preventing obesity.

Status: Chapter 503, Statutes of 2011

**AB 155 (Charles Calderon). STATE BOARD OF EQUALIZATION:
ADMINISTRATION: RETAILER ENGAGED IN BUSINESS IN THIS STATE.**

Repeals and reenacts the statutory provisions specifying those retailers with a use tax collection duty (i.e., use tax nexus). Specifically, this bill temporarily reverts California's use tax nexus laws to the way they read prior to being amended by AB 28 X1 (Blumenfeld), Chapter 7, Statutes of 2011-12 First Extraordinary Session, which, among other things, imposed a use tax collection duty on specified remote retailers with California-based affiliates. This bill further provides that California's expanded nexus laws will go back into effect, with minor revisions, on either September 15, 2012, or January 1, 2013, depending on whether or not the federal government acts to authorize states to compel remote vendors to collect use taxes.

Status: Chapter 313, Statutes of 2011

**AB 188 (Block). PROPERTY TAX EXEMPTION: PRINCIPAL RESIDENCE:
VETERANS AND THEIR UNMARRIED SURVIVING SPOUSES.**

Provides that, beginning with the lien date for the 2012–13 fiscal year and for each fiscal year thereafter, the disabled veterans' property tax exemption applies when an unmarried surviving spouse is confined to a health care facility. Specifically, this bill provides that property shall be considered an unmarried surviving spouse's principal residence if the unmarried surviving spouse would principally reside at that property if not for his/her confinement to a hospital or other care facility. Consolidates the provisions relating to the date when property becomes eligible for the disabled veterans' exemption. Makes clarifying changes, including clarifying that the exemption terminates for an unmarried surviving spouse of a disabled veteran when that surviving spouse remarries.

Status: Chapter 202, Statutes of 2011

AB 242 (Committee on Revenue & Taxation). TAXATION.

Conforms the Personal Income Tax Law to several specified provisions of the federal Patient Protection and Affordable Care Act and contains additional provisions sponsored by the State Board of Equalization (BOE). Specifically, this bill provides that the BOE must reimburse the manufacturer of a new motor vehicle for any use tax the manufacturer pays to or for a buyer or lessee when providing a replacement vehicle or making restitution under California's "Lemon

Law." Eliminates the requirement for retailers and lenders to file an election with the BOE designating which party is entitled to claim a "bad debt" deduction or refund. Makes a technical clarification to the "repair, retrofit, or modification" exception to the 12-month rebuttable presumption for vessels purchased outside of California. Allows a taxpayer to file a claim for reimbursement of bank charges and third-party check charge fees incurred as the direct result of an erroneous processing action or erroneous collection action by the BOE. Amends the Sales and Use Tax (SUT) Law to provide that restitution orders that are due and payable to the BOE may be collected by the BOE in any manner provided by law for the collection of a delinquent SUT liability. Amends the Cigarette and Tobacco Products Tax Law and the Diesel Fuel Tax Law to provide the BOE with similar collection authority. Amends the Motor Vehicle Fuel Tax Law to provide that restitution orders that are due to the State of California and payable to the State Controller may be collected by the Controller in any manner provided by law for the collection of a delinquent motor vehicle fuel tax liability.

Status: Chapter 727, Statutes of 2011

AB 261 (Dickinson). PROPERTY TAX: TAX-DEFAULTED PROPERTY.

Clarifies that prescriptive easements run with tax-defaulted property sold at a tax sale and requires any person wishing to commence a proceeding in court based on the alleged invalidity or irregularity of a sale of tax-defaulted property to first petition the local board of supervisors, as specified, to have the tax sale rescinded.

Status: Chapter 288, Statutes of 2011

AB 289 (Cedillo). SALES AND USE TAXES: EXEMPTION: CHARITABLE THRIFT STORES.

Extends the sunset date, from January 1, 2012, to January 1, 2019, for the current sales and use tax (SUT) exemption for retail items sold by thrift stores operated by nonprofit organizations to assist individuals with human immunodeficiency virus (HIV) or acquired immune deficiency syndrome (AIDS). This bill also provides that, notwithstanding existing law, the state shall not reimburse any local agency for any SUT revenues lost as a result of this bill.

Status: Chapter 289, Statutes of 2011

AB 504 (Williams). SCHOOL DISTRICTS: COUNTY OF SANTA BARBARA: SPECIAL TAXES.

Authorizes any newly unified school district in the County of Santa Barbara to continue the collection of parcel taxes originally imposed and collected in the former school districts. Authorizes the Santa Barbara Unified School District to impose a new parcel tax within the boundaries of the former Santa Barbara Elementary School District, provided that specified conditions are met.

Status: Chapter 276, Statutes of 2011

AB 509 (Skinner). FEDERAL EARNED INCOME TAX CREDIT: NOTIFICATION: STATE DEPARTMENTS AND AGENCIES.

Requires state departments and agencies that serve those who may qualify for the federal Earned Income Tax Credit (EITC) to notify their program recipients, at least once a year, of their eligibility to claim the credit. Alternatively, this bill allows state departments and agencies to provide the annual notification during a regularly scheduled contact with a recipient by telephone, mail, or electronic communication, or by an in-person communication, as specified. Requires state departments and agencies that do not directly communicate with persons who may qualify for the EITC to communicate indirectly through agencies or districts serving those persons.

Status: Chapter 452, Statutes of 2011

AB 563 (Furutani). PROPERTY TAXATION: ASSESSOR: DISCLOSURE: APPRAISAL INFORMATION.

Authorizes designated city employees to obtain otherwise confidential information from the county assessor when the city is conducting an investigation to determine whether the documentary transfer tax should be imposed for an unrecorded change in control or ownership of property, and requires the city to reimburse the assessor for any costs incurred in disclosing this information.

Status: Chapter 320, Statutes of 2011

AB 564 (Smyth). INCOME TAXES: VOLUNTARY CONTRIBUTIONS: MUNICIPAL SHELTER SPAY-NEUTER FUND.

Reauthorizes the addition of the Municipal Shelter Spay-Neuter Fund checkoff to the personal income tax form upon the removal of another voluntary contribution fund from the form. Allows municipalities to use grant funds to pay specified outside agencies for spay and neuter services.

Status: Chapter 549, Statutes of 2011

AB 624 (John A. Perez). CALIFORNIA ORGANIZED INVESTMENT NETWORK.

Extends, until January 1, 2017, provisions allowing a tax credit for qualified investments in community development financial institutions that invest in community development. Eliminates certain limitations on the aggregate certified investments and several requirements regarding certificates issued to taxpayers. Authorizes the Insurance Commissioner, until December 1, 2015, to establish a California Organized Investment Network Advisory Board, as specified, to advise the California Organized Investment Network (COIN). Authorizes the COIN, in allocating qualified investment credits, when certain conditions are met, to prioritize applications for those credits, as specified. Specifies that COIN may certify investments for the tax credit only until January 1, 2015.

Status: Chapter 436, Statutes of 2011

AB 686 (Huffman). LOCAL SALES AND USE TAXES: TRANSACTION AND USE TAXES.

Decreases the rate at which a county or city may levy, increase, or extend a transactions and use tax from 0.25%, or a multiple thereof, to a rate of 0.125%, or a multiple thereof.

Status: Chapter 176, Statutes of 2011

AB 703 (Gordon). PROPERTY TAXATION: WELFARE EXEMPTION: NATURE RESOURCES AND OPEN-SPACE LANDS.

Extends the sunset date of the property tax welfare exemption for property that is used exclusively for the preservation of specified nature resources and open-space lands from January 1, 2012, until January 1, 2022.

Status: Chapter 575, Statutes of 2011

AB 711 (Lara). PROPERTY TAXATION: ADMINISTRATION: REBUTTABLE PRESUMPTION: OWNER-OCCUPIED.

Shifts the burden of proof from the county assessor to the taxpayer in any administrative hearing involving the imposition of a property tax on, or the assessment of, a taxpayer's vacation or secondary home. Specifically, this bill revises the definition of an "owner-occupied single family dwelling" to mean a single-family dwelling that satisfies both of the following conditions: (1) the dwelling is the owner's principal place of residence; and, (2) the dwelling qualifies for a homeowners' property tax exemption.

Status: Chapter 220, Statutes of 2011

AB 764 (Swanson). PERSONAL INCOME TAXES: VOLUNTARY CONTRIBUTIONS: CHILD VICTIMS OF HUMAN TRAFFICKING FUND.

Authorizes the addition of the Child Victims of Human Trafficking Fund (Fund) checkoff to the personal income tax form upon the removal of another voluntary contribution fund from the form. Fund moneys will be granted to community-based organizations that agree to use the funds to provide services to minor victims of human trafficking.

Status: Chapter 465, Statutes of 2011

AB 820 (Gordon). PROPERTY TAXATION: FEE: PREPARATION OF CERTIFICATE.

Removes the \$1 limitation on the fee amount that a county assessor, tax collector or auditor may charge for the preparation of a certificate-of-payment showing taxes paid. Provides that the amount of the fee shall be established by the board of supervisors of the county and shall be subject to the requirements of Chapter 12.5 (commencing with Section 54985) of Part 1 of Division 2 of Title 5 of the Government Code.

Status: Chapter 207, Statutes of 2011

AB 902 (Alejo). TAXATION: PROPERTY TAX DELINQUENCY AND SALES.

Removes the statutory cap imposed on certain types of fees that a tax collector may charge in connection with the sale of tax-defaulted property, and instead, requires the local board of supervisors to establish those fees in amounts that would allow the county to recover its actual and reasonable costs, as provided. Specifically, this bill removes the \$100 statutory limitation on the amount of costs that a tax collector may recover for attempting to contact personally, and serve a written notice to, the owner-occupant of a tax-defaulted property that is scheduled to be offered for sale at a public auction. Removes the \$35 statutory limitation on the amount of the fee that a tax collector may collect for obtaining the names and last known mailing addresses of, and mailing specified notices to, parties of interest, when the tax-defaulted property subject to the notice is redeemed. Finally, this bill clarifies that a tax collector may collect a fee in an amount reasonably necessary to reimburse the tax collector's costs, when tax-defaulted property is redeemed prior to the proposed sale to a public agency or a qualified non-profit organization but after the county has incurred notice or publication costs.

Status: Chapter 208, Statutes of 2011

AB 971 (Monning). PERSONAL INCOME TAX: VOLUNTARY CONTRIBUTIONS: CALIFORNIA SEA OTTER FUND.

Reauthorizes the addition of the California Sea Otter Fund checkoff to the personal income tax form beginning with the 2011 return. Contains numerous legislative findings and declarations related to sea otters and their importance to the marine ecosystem.

Status: Chapter 209, Statutes of 2011

AB 1069 (Fuentes). INCOME TAXES: CREDITS: FILM: EXTENSION.

Extends the sunset date for the California Motion Picture Tax Credit program for one year, from July 1, 2014, until July 1, 2015, and authorizes the allocation of an additional \$100 million in tax credits to qualified productions, provided certain conditions are met.

Status: Chapter 731, Statutes of 2011

AB 1086 (Wieckowski). TRANSACTIONS AND USE TAXES: COUNTY OF ALAMEDA.

Authorizes the County of Alameda to adopt an ordinance imposing a transactions and use tax for the support of countywide transportation programs, at a rate of no more than 0.5% that may, in combination with other taxes, exceed the statutory limit of 2%. This authorization will be automatically repealed on January 1, 2014, if the ordinance is not approved, as specified.

Status: Chapter 327, Statutes of 2011

AB 1090 (Blumenfield). TAXATION: PROPERTY TAX DEFERMENT.

Establishes the County Deferred Property Tax Program for Senior Citizens and Disabled Citizens and allows each county to opt into the program by adopting a resolution indicating the county's intention to participate in, and administer, the program. Under the program, a participating county is authorized to defer a claimant's property taxes retroactively, for property taxes due on or before February 20, 2011, and prospectively, as specified. Requires participating counties to charge claimants interest on the amount of property taxes deferred and sets the effective annual interest rate at 7% or the rate of effective annual yield earned in the prior fiscal year by the Pooled Money Investment plus 2%, whichever is higher, rounded to the nearest full percent. States that the amount of property taxes deferred, plus any interest accrued thereon, must be secured by a judgment lien against the claimant's residential dwelling for which the property taxes are deferred.

Status: Chapter 369, Statutes of 2011

AB 1307 (Skinner). STATE BOARD OF EQUALIZATION: ADMINISTRATION: COLLECTIONS.

Contains various provisions designed to increase the State Board of Equalization's (BOE's) ability to collect outstanding tax and fee liabilities. Specifically, this bill authorizes the Registrar of Contractors to suspend (or refuse to issue, reinstate, or renew) a license if the licensee has failed to resolve all outstanding final liabilities, including taxes, penalties, interest, and fees, assessed by the BOE. This authorization shall not apply, however, if the licensee has entered into an installment payment agreement with the BOE and is in compliance with the agreement's terms. Authorizes the BOE to refuse to issue a seller's permit to any applicant with an outstanding final liability with the BOE for any amount due under the Sales and Use Tax Law. Provides that information on newly hired employees collected by the Employment Development Department may be provided to the BOE for tax and fee enforcement purposes.

Status: Chapter 734, Statutes of 2011

AB 1352 (Logue). TAXATION: VEHICLE LICENSE FEES.

Provides that specified vehicle license fee (VLF) revenues deposited into the Local Revenue Fund of 2011 for local law enforcement realignment purposes shall not be subject to expenditure requirements of a local ordinance in Nevada County. States that designated VLF revenues shall not, for purposes of an ordinance of the County of Nevada, be deemed VLF revenues as defined in the California Constitution. Defines, for purposes of the bill, the term "designated vehicle license fee revenues" to mean vehicle license revenues that are collected and required to be deposited into the Local Law Enforcement Services Account in the Local Revenue Fund 2011.

Status: Chapter 735, Statutes of 2011

AB 1369 (Gatto). PERSONAL AND CORPORATE INCOME TAXES: DEDUCTIONS: ILLEGAL ACTIVITIES.

Disallows deductions for expenses attributable to income derived by a taxpayer from any activity that directly tends to promote or is directly connected, or associated with, certain criminal profiteering activities. Defines these criminal profiteering activities as any act or omission punishable under the "California Control of Profits of Organized Crime Act" of Penal Code Section 186.2, dealing with a controlled substance enumerated in the Health and Safety Code, and unlawful referrals (insurance fraud) specified in the Insurance Code. Specifies that a prior, final determination by a court of competent jurisdiction in any criminal proceeding, or any proceeding in which the state, county, city, or other political subdivision was a party on the merits of the legality of the taxpayer's activities, is required in order for this bill's provisions to

apply. Applies to taxable years that have not been closed by a statute of limitations, res judicata, or otherwise, as of the effective date of this bill.

Status: Chapter 454, Statutes of 2011

AB 1423 (Perea). INCOME TAXES: FEDERAL CONFORMITY: REGULATED INVESTMENT COMPANY MODERNIZATION ACT OF 2010.

Conforms several provisions of California income tax law to the federal Regulated Investment Company (RIC) Modernization Act of 2010. Among other things, this bill allows a RIC, upon identifying a *de minimis* asset test failure, as defined, to maintain its status as a RIC, provided that certain requirements are met. In addition, it allows a RIC, which fails either the "gross income test" or the "asset test" (outside of the *de minimis* range), to cure the failure by paying tax and satisfying certain specified requirements. Authorizes a RIC to carry over capital losses for an unlimited number of years, and makes other substantive conforming changes to provisions relating to RICs.

Status: Chapter 490, Statutes of 2011

AB 1424 (Perea). FRANCHISE TAX BOARD: DELINQUENT TAX DEBT.

Requires state governmental licensing entities to suspend a state occupational, professional, or driver's license of any tax debtor whose name appears on either the Franchise Tax Board (FTB) or the State Board of Equalization (BOE) list of the largest tax delinquencies on or after July 1, 2012, as specified. Increases the BOE and the FTB public lists of the top 250 tax delinquencies in excess of \$100,000 to 500 tax delinquencies and requires FTB to update its list at least twice in each calendar year. Requires both the BOE and FTB to create release forms that provide for the removal of a person from the top 500 tax delinquency lists upon payment of unpaid taxes or entry into an installment agreement, or in cases of financial hardship. Additionally, this bill prohibits any state agency from entering into a contract for goods and services with a tax debtor on the 500 largest delinquencies lists, provided that the contract is executed on or after July 1, 2012. Finally, this bill allows the FTB and BOE to contract with the Internal Revenue Service and other states to collect delinquent tax debts owed to the FTB or BOE.

Status: Chapter 455, Statutes of 2011

AB 1428 (Chesbro). DISASTER RELIEF: TSUNAMI.

Allows special tax treatment, known as "disaster loss treatment," for losses sustained in the County of Mendocino as a result of the tsunami that occurred in March 2011. Specifically, this bill allows any excess disaster losses to be carried forward to each of the five taxable years following the taxable year for which the loss is claimed. However, if there is any excess disaster loss remaining after this five-year period, then the applicable percentage (currently 100%) of that excess disaster loss shall be carried forward to each of the next 10 taxable years.

Allows affected taxpayers to file an amended return to deduct disaster losses in the taxable year prior to the loss to receive an expedited refund. Takes immediate effect as an urgency measure.

Status: Chapter 283, Statutes of 2011

AJR 3 (Dickinson). FEDERAL TAXATION.

Urges Congress to extend the alternative minimum tax holiday for private activity bonds and contains legislative findings and declarations to reflect the correct congressional actions.

Status: Chapter 71, Statutes of 2011

ABx1 15 (Hill). PROPERTY TAX: NEWLY CONSTRUCTED: EXCLUSION: ACTIVE SOLAR ENERGY SYSTEM.

Revises the definition of "active solar energy systems" and declares the Legislature's intent to extend the current exclusion from property tax reassessment for purchases of new "active solar energy systems" to active solar energy systems that are sold in sale-leaseback arrangements. Contains legislative findings and declarations relating to the types of sale-leaseback arrangements, partnership flip structures, and other transactions in which active solar energy systems are often sold or transferred.

Status: Chapter 3, Statutes of 2011

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SENATE BILLS

SB 164 (Simitian). PERSONAL INCOME TAX: VOLUNTARY CONTRIBUTIONS: STATE CHILDREN'S TRUST FUND: RARE AND ENDANGERED SPECIES PRESERVATION PROGRAM: EXTENSION.

Extends, from January 1, 2013, to January 1, 2018, the sunset date for two voluntary contribution funds (VCFs) currently on the personal income tax return. Specifically, extends the VCF provisions for both the State Children's Trust Fund and the Rare and Endangered Species Preservation Program.

Status: Chapter 699, Statutes of 2011

SB 506 (Simitian). STATE FINANCE: WARRANTS.

Provides that if a registered warrant (RW) is issued to pay principal or interest due on a state bond, then the bond's beneficial owner may offset the principal amount of the RW that is attributable to that beneficial owner's beneficial interest in the state bond against an existing tax liability, as specified.

Status: Chapter 306, Statutes of 2011

SB 507 (DeSaulnier). PROPERTY TAXATION: CHANGE IN OWNERSHIP STATEMENT.

Extends the deadline, from 45 to 90 days, for new owners of real property and certain legal entities to submit a change-in-ownership or a change-in-control statement with either the assessor or the State Board of Equalization (BOE), whichever is applicable, and to comply with the request without a penalty. Increases the penalty for failure to file a change-in-ownership statement, upon request from either the assessor or BOE, from \$2,500 to \$5,000 for property eligible for the homeowner's exemption, and from \$2,500 to \$20,000 for property not eligible for this exemption.

Status: Chapter 708, Statutes of 2011

SB 536 (DeSaulnier). PROPERTY TAX REVENUE ALLOCATIONS: PUBLIC UTILITIES: QUALIFIED PROPERTY: CITY OF OAKLEY.

Revises property tax formulas to allocate property tax revenues from a proposed public utility power plant in Contra Costa County to benefit the City of Oakley. Provides that the City of Oakley, by January 1, 2014, and by January 1 of each of the succeeding five years, shall determine the number of jobs, full and part-time, existing in the area. States that a special law is necessary to ensure that the City of Oakley has sufficient affordable housing and receives sufficient funding to repay loans, as specified.

Status: Chapter 710, Statutes of 2011

SB 583 (Vargas). PERSONAL INCOME TAX: VOLUNTARY CONTRIBUTIONS: ALS/LOU GEHRIG'S DISEASE RESEARCH FUND.

Reauthorizes the addition of the ALS/Lou Gehrig's Disease Research 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 Amyotrophic Lateral Sclerosis Association (ALS), to provide research grants to develop and advance the understanding, techniques, and modalities effective in the prevention, treatment, and cure of ALS.

Status: Chapter 711, Statutes of 2011

SB 647 (Committee on Judiciary). CIVIL LAW: OMNIBUS BILL.

Contains numerous civil law provisions authored by the Senate Judiciary Committee. The tax-related provisions add amounts due under Welfare and Institutions Code (W&IC) Section 903.1 to the list of delinquent fines and penalties that may be referred to the Franchise Tax Board for collection. W&IC Section 903.1, in turn, imposes joint and several liability on specified individuals, including parents, for expenses incurred by a county or court for legal services provided to a minor pursuant to a juvenile court order.

Status: Chapter 308, Statutes of 2011

SB 805 (Committee on Veterans Affairs). SALES AND USE TAXES: CONSUMERS: VETERANS: ITINERANT VENDORS.

Extends, to January 1, 2022, the sunset date for the provisions of the Sales and Use Tax Law that currently classify a qualified itinerant vendor (QIV) as a consumer, and not a retailer, of specified tangible personal property the QIV sells.

Status: Chapter 246, Statutes of 2011

SB 947 (Committee on Governance and Finance). PROPERTY TAXATION.

Makes several non-controversial changes to property tax collection laws, corrects erroneous cross-references and makes other clarifying, technical changes. Among other things, allows the parent-child exclusion for transfers of interests in a unit or lot in cooperative housing corporations in order to correct an inequity in current law, clarifies the definition of "substantially damaged or destroyed," and extends, in specified situations, the time period for a claimant to apply for the disabled veterans' property tax exemption. Additionally, this bill increases from 30 days to 6 months the period within which a homeowner, who is transferring a base year value from his/her principal residence to a newly purchased replacement home, must notify the county assessor of the completion of new construction on the replacement home. Specifies the local body through which an assessee must appeal a penalty for failure to timely file a change in ownership statement, and expressly allows partial abatement for state assessee penalties for failure to provide information in a timely fashion.

Status: Chapter 351, Statutes of 2011

SB 948 (Committee on Governance and Finance). PROPERTY TAXATION.

Makes several technical changes to various provisions of the property tax law, relating to tax sales, and updates incorrect cross-references and outdated code sections. Among other things, this bill requires local county assessors to share with tax collectors certain confidential information for the preparation and enforcement of tax sales, as specified, and modifies the procedure for filing property tax protests by specifying that taxpayers must file a protest with the county clerk and pay taxes to the treasurer-tax collector. Additionally, this bill deletes the requirement to notify the State Controller when a treasurer-tax collector proposes property for a tax sale but then later removes it from the sale upon the recommendation of county counsel. Requires third-party agents, who are acting on behalf of any party of interest with respect to filing a claim for any excess proceeds from the tax sale, to submit proof that the source of those proceeds has been disclosed to the party of interest and that a claim to recover those proceeds may be filed by the party of interest directly with the county at no cost. Revises the provision dealing with the correction of errors in publications published by a treasurer-tax collector and requires the treasurer-tax collector, when taxpayers or their agents make payments on the wrong property, to transfer the payment to the intended property or refund the payment to the taxpayer within 60 days of verifying the mistake, or the date when the payment is not subject to chargeback, dishonor, or reversal.

Status: Chapter 352, Statutes of 2011

SCR 12 (Liu). TAXATION.

Urges state and local governments and community organizations to promote education and awareness of the federal Earned Income Tax Credit and other credits, as provided.

Status: Chapter 38, Statutes of 2011

GOVERNOR VETOES

AB 1044 (Butler). REGISTERED WARRANTS: TAXATION.

Revises the statutory provisions that allow any taxpayer named as a payee on a registered warrant (RW) to satisfy their liability for certain taxes by issuing a check in an amount no greater than the RW. Expands the provisions to cover taxes, fees, and surcharges required to be remitted to the State Board of Equalization (BOE). Disallows the submission of a RW to the BOE unless the State Controller determines that the acceptance of RWs will not: (1) jeopardize the state's ability to issue regular warrants for education programs, debt service, state payroll, pensions, In-Home Supportive Services, Medi-Cal providers, or any other payment required by federal law, the California Constitution, or a court order; and, (2) result in a net cost to the state, as defined. Provides that liabilities may be satisfied by submitting the original RW, signed on the reverse side by the payee and endorsed as payable to the agency to which the liability is owed.

GOVERNOR'S VETO MESSAGE:

"This measure would require the Board of Equalization to accept registered warrants (IOUs) as payment for any tax, surcharge, or fee liability. In the unlikely event that the state is forced to issue IOUs in the future due to an unforeseen emergency cash crisis, this measure would undermine the state's ability to make debt service and other high priority payments. While it may be unfair to expect recipients of IOUs to pay their obligations to the state while the state is unable to meet its own obligations, I am unwilling to tie the hands of future administrations should such an emergency arise."

SB 223 (Leno). VOTER-APPROVED LOCAL ASSESSMENT: VEHICLES.

Enacts the Local Assessment Act, which authorizes the City and County of San Francisco to place on the ballot a measure imposing an additional assessment on vehicles owned by residents of the City and County of San Francisco. Requires the Department of Motor Vehicles to collect the voter-approved local assessment pursuant to a contract with the City and County and declares that a special law is necessary for specified reasons.

GOVERNOR'S VETO MESSAGE:

"This bill permits the City and County of San Francisco to enact a voter-approved local assessment on vehicles registered to a San Francisco address. Before we embark on a

piecemeal approach for one city, we should try to fashion a broader revenue solution to our state's fiscal crisis."

SB 364 (Yee). INCOME TAXES: BUSINESS TAX CREDITS: REPORTING INFORMATION AND PENALTY.

Requires a qualified taxpayer that claims a business income tax credit to include annually, on a timely filed original tax return, the number of full-time equivalent (FTE) employees, as defined, employed by the taxpayer in California for the current and preceding taxable years. Imposes a penalty on any qualified taxpayer that fails to maintain the requisite number of FTE employees in subsequent years, as provided. Defines "business credit" as an income tax credit that is enacted after January 1, 2012, and is based on either employee compensation, including qualified wages, or the number of employees employed. Defines "qualified taxpayer" as a person that is engaged in or carrying on a trade, business, profession, vocation, calling or commercial activity in this state, and that pays qualified wages to more than 100 FTE employees in this state.

GOVERNOR'S VETO MESSAGE:

"This bill imposes penalties on businesses claiming future-enacted hiring/employment credits should the business's number of employees drop by more than 10% during a year. The tactic used in this bill can be effective for assuring that businesses deliver promised employment to the State in exchange for valuable credits. Unfortunately, the bill's approach is too broad. Penalties should be tailored to the unique provisions of each tax credit given."

SB 508 (Wolk). INCOME AND CORPORATION TAXES: CREDITS: INFORMATION AND OPERATIVE TIME PERIOD.

Requires any new tax credit enacted by a bill introduced on or after January 1, 2012, to be operative for a period not to exceed 10 years and to include specified goals, objectives, and purposes, as well as other detailed information relating to the credit's effectiveness. Makes legislative findings and declarations regarding the need for review of tax preference programs, including tax credits.

GOVERNOR'S VETO MESSAGE:

"While I agree that we should consider sunset clauses for personal income and corporate tax credits, one size does not fit all. The legislature should examine all its bills to determine how long they should exist or, indeed, whether they should exist at all."

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