



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Opposing Assembly Bill 1221 (Steinberg and Campbell) Regarding Property and Sales Tax Shifts

MEETING DATE: May 21, 2003

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION

That Council adopt a Resolution opposing Assembly Bill 1221 (Steinberg and Campbell).

BACKGROUND INFORMATION

The following summary is provided by the League of California Cities (LCC) regarding AB 1221:

"AB 1221 (Steinberg, Campbell) has been moved from the Assembly Appropriations Committee calendar for May 14, 2003. **The new hearing date is likely to be either May 21 or 28.** The bill is considered an "automatic" candidate for the committee's "Suspense File" because of its fiscal impacts. The deadline for the Appropriations Committee to report all bills (including those on the Suspense File) to the floor is May 30, 2003.

AB 1221 swaps half of local government sales tax revenues for an equal amount (dollar-for-dollar[^]) of property taxes. The authors' stated intent for the bill is to reduce the incentive for local governments to chase sales tax dollars at the expense of other land uses.

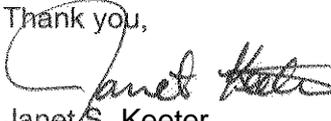
The League remains opposed to the measure, unless amended to provide constitutional protection for local government revenues. The bill has a number of other additional issues that also need to be addressed."

The City of Lodi relies on sales tax and property tax to fund general services for the community. Sales tax estimates for FY 03-04 are \$8.7 million and property tax revenues are expected to be \$6.4 million. A preliminary analysis of the potential impact of AB 1221 on the City of Lodi indicates that the City would lose an estimated \$3 million over the next five years. In addition, AB 1221 shifts the local control of tax revenues to the State with no constitutional guarantees against future such actions.

Attached for Council's information is a copy of the Current Bill Status and a copy of the Amended (April 21, 2003) version of AB 1221.

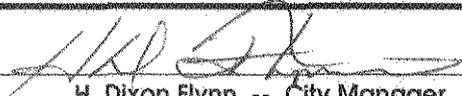
Funding: None

Thank you,


Janet S. Keeter
Deputy City Manager

Attachments

APPROVED: _____


H. Dixon Flynn -- City Manager

CURRENT BILL STATUS

MEASURE : A.B. No. 1221
AUTHOR(S) : Steinberg and Campbell. (Principal coauthor: Montanez)
(Coauthors: Leno, Lieber, Mullin, and Wiggins)
TOPIC : Taxation.
HOUSE LOCATION : RSM
+LAST AMENDED DATE : 04/21/2003

TYPE OF BILL :

Active
Non-Urgency
Non-Appropriations
2/3 Vote Required
State-Mandated Local Program
Fiscal
Non-Tax Levy

LAST HIST. ACT. DATE: 04/29/2003
LAST HIST. ACTION : From committee: Do pass, and re-refer to Com. on APPR
Re-referred. (Ayes 4. Noes 0.) (April 28).
COMM. LOCATION : ASM APPROPRIATIONS
COMM. ACTION DATE : 05/09/2003
COMM. ACTION : Set, first hearing. Hearing cancelled at the request of
author

TITLE : An act to amend Section 29530 of the Government Code, to
amend Sections 6051, 6201, 7202, and 7203 of, and to add
Section 97.68 to, the Revenue and Taxation Code,
relating to taxation

BILL NUMBER: AB 1221 AMENDED
BILL TEXT

AMENDED IN ASSEMBLY APRIL 21, 2003
AMENDED IN ASSEMBLY MARCH 25, 2003

INTRODUCED BY Assembly Members Steinberg and Campbell
(Principal coauthor: Assembly Member Montanez)
(Coauthors: Assembly Members Leno, Lieber, Mullin, and
Wiggins)

FEBRUARY 21, 2003

An act to amend Section 29530 of the Government Code, to amend Sections 6051, 6201, 7202, and 7203 of, and to add Section 97.68 to, the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 1221, as amended, Steinberg. Taxation.

(1) Existing property tax law requires the county auditor, in each fiscal year, to allocate property tax revenue to local jurisdictions in accordance with specified formulas and procedures, and generally requires that each jurisdiction be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modifications, and that jurisdiction's portion of the annual tax increment, as defined. Existing property tax law also reduces the amounts of ad valorem property tax revenue that would otherwise be annually allocated to the county, cities, and special districts pursuant to these general allocation requirements by requiring, for purposes of determining property tax revenue allocations in each county for the 1992-93 and 1993-94 fiscal years, that the amounts of property tax revenue deemed allocated in the prior fiscal year to the county, cities, and special districts be reduced in accordance with certain formulas. It requires that the revenues not allocated to the county, cities, and special districts as a result of these reductions be transferred to the Educational Revenue Augmentation Fund in that county for allocation to school districts, community college districts, and the county office of education.

The Bradley-Burns Uniform Local Sales and Use Tax Law authorizes a county to impose a local sales and use tax at a rate of 1 1/4%, and similarly authorizes a city, located within a county imposing such a tax rate, to impose a local sales tax rate of 1% that is credited against the county rate. Existing law requires a city, county, or city and county imposing a local sales and use tax pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law to contract with the State Board of Equalization to administer the local sales and use tax. Existing law also requires the board, at least twice during each calendar quarter, to transmit local sales and use tax revenue to the city, county, or city and county in which the revenue was collected.

This bill would, on and after July 1, 2004, prohibit a city from imposing a sales and use tax under the Bradley-Burns Uniform Local Sales and Use Tax Law at a rate in excess of 1/2 of 1% and prohibit a county from imposing sales and use tax under that law at a rate in excess of 3/4 of 1%.

This bill would also, for the 2004-05 fiscal year, increase the amount of ad valorem property tax revenue deemed allocated to a county or city in the 2003-04 fiscal year by that county or city's reimbursement amount, as defined, and correspondingly decrease the amount of ad valorem property tax revenue allocated to a county's Educational Revenue Augmentation Fund by the countywide adjustment amount, as defined. This bill would also require the board to make

certain calculations and to notify county auditors of these calculations. This bill would render inoperative other provisions of the bill if a specified ~~statue~~ statute is amended in a manner that reduces the amount of ad valorem property tax revenue that is allocated to cities and counties under the bill. This bill would also make conforming changes to corresponding provisions. By imposing new duties upon local tax officials in the annual allocation of ad valorem property tax revenues, this bill would impose a state-mandated local program.

(2) The California Constitution requires for each fiscal year that a minimum amount of money, computed under one of 3 formulas, be set aside from all state revenues for the support of school districts and community college districts.

This bill would state the intent of the Legislature that the state maintain its aggregate funding obligations under these provisions.

(3) The Sales and Use Tax Law provides for the levy of a state sales and use tax upon the gross receipts from the sale in this state of, or the storage, use, or other consumption in this state of, tangible personal property.

This bill would, on and after July 1, 2004, increase the sales and use tax rate under that law by 1/2 of 1%.

This bill would result in a change in state taxes for the purpose of increasing revenues within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of 2/3 of the membership of each house of the Legislature.

(4) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: 2/3. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. This act shall be known and may be cited as the California Balanced Communities Act of 2003.

SEC. 2. Section 29530 of the Government Code is amended to read:

29530. (a) If the board of supervisors so agrees by contract with the State Board of Equalization, the board of supervisors shall establish a local transportation fund in the county treasury and shall deposit in the fund all revenues transmitted to the county by the State Board of Equalization under Section 7204 of the Revenue and Taxation Code, which are derived from that portion of the taxes imposed by the county at a rate in excess of 1 percent, and on and after July 1, 2004, in excess of one-half of 1 percent, pursuant to Part 1.5 (commencing with Section 7200) of Division 2 of that code, less an allocation of the cost of the services of the State Board of Equalization in administering the sales and use tax ordinance related to the rate in excess of 1 percent, and on and after July 1, 2004, in excess of one-half of 1 percent, and of the Director of Transportation and the Controller in administering the responsibilities assigned to him or her in Chapter 4 (commencing with Section 99200) of Part 11 of Division 10 of the Public Utilities Code.

(b) Any interest or other income earned by investment or otherwise of the local transportation fund shall accrue to and be a part of the fund.

SEC. 3. Section 97.68 is added to the Revenue and Taxation Code,

to read:

97.68. (a) Notwithstanding any other provision of this chapter, for purposes of annual ad valorem property tax revenue allocations in the 2004-05 fiscal year, all of the following apply:

(1) The total amount of ad valorem property tax revenue deemed allocated to a county in the 2003-04 fiscal year shall be increased by the county reimbursement amount.

(2) The total amount of ad valorem property tax revenue deemed allocated to a city in the 2003-04 fiscal year shall be increased by that city's city reimbursement amount.

(3) The total amount of ad valorem property tax revenue deemed allocated to a county's Educational Revenue Augmentation Fund in the 2003-04 fiscal year shall be reduced by the countywide adjustment amount.

(b) For the 2004-05 fiscal year and each fiscal year thereafter, ad valorem property tax revenue allocations made pursuant to Section 96.1 shall fully incorporate the allocation adjustments required by this section.

(c) Any reduction resulting from subdivision (a) in the amount of ad valorem property tax revenue deposited in a county's Educational Revenue Augmentation Fund shall be applied exclusively to reduce the amount of revenue allocated from that fund to school districts and county offices of education, and may not be applied to reduce the amount of revenue allocated from that fund to community college districts.

(d) For purposes of this section:

(1) "City reimbursement amount" means the difference between the following two amounts:

(A) The amount of revenue that a city would have received pursuant to Section 7204 in the 2003-04 fiscal year if that city had imposed a sales and use tax at a rate of one-half of 1 percent.

(B) The amount of revenue that the city received pursuant to Section 7204 in the 2003-04 fiscal year.

(2) "County reimbursement amount" means the difference between the following two amounts:

(A) The amount of revenue that the county would have received pursuant to Section 7204 in the 2003-04 fiscal year if that county had imposed a sales and use tax at a rate of three-quarters of 1 percent.

(B) The amount of revenue that the county received pursuant to Section 7204 in the 2003-04 fiscal year.

(3) "Countywide adjustment amount" means the combined total amounts determined pursuant to paragraphs (2) and (3) for the county and each city in that county.

(4) The board shall make the calculations specified in paragraphs (1) and (2), and shall notify the auditor of each county of these amounts on or before July 14, 2004.

SEC. 4. Section 6051 of the Revenue and Taxation Code is amended to read:

6051. For the privilege of selling tangible personal property at retail a tax is hereby imposed upon all retailers at the rate of 21/2 percent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in this state on or after August 1, 1933, and to and including June 30, 1935, and at the rate of 3 percent thereafter, and at the rate of 21/2 percent on and after July 1, 1943, and to and including June 30, 1949, and at the rate of 3 percent on and after July 1, 1949, and to and including July 31, 1967, and at the rate of 4 percent on and after August 1, 1967, and to and including June 30, 1972, and at the rate of 33/4 percent on and after July 1, 1972, and to and including June 30, 1973, and at the rate of 43/4 percent on and after July 1, 1973, and to and including September 30, 1973, and at the rate of 33/4 percent on and after October 1, 1973, and to and including March 31, 1974, and at the rate of 43/4 percent to and including June 30, 2004, and at the rate of 51/4 percent on and after July 1, 2004.

SEC. 5. Section 6201 of the Revenue and Taxation Code is amended to read:

6201. An excise tax is hereby imposed on the storage, use, or

other consumption in this state of tangible personal property purchased from any retailer on or after July 1, 1935, for storage, use, or other consumption in this state at the rate of 3 percent of the sales price of the property, and at the rate of 21/2 percent on and after July 1, 1943, and to and including June 30, 1949, and at the rate of 3 percent on and after July 1, 1949, and to and including July 31, 1967, and at the rate of 4 percent on and after August 1, 1967, and to and including June 30, 1972, and at the rate of 3 3/4 percent on and after July 1, 1972, and to and including June 30, 1973, and at the rate of 43/4 percent on and after July 1, 1973, and to and including September 30, 1973, and at the rate of 33/4 percent on and after October 1, 1973, and to and including March 31, 1974, and at the rate of 43/4 percent to and including June 30, 2004, and at the rate of 51/4 percent on and after July 1, 2004.

SEC. 6. Section 7202 of the Revenue and Taxation Code is amended to read:

7202. The sales tax portion of any sales and use tax ordinance adopted under this part shall be imposed for the privilege of selling tangible personal property at retail, and shall include provisions in substance as follows:

(a) A provision imposing a tax for the privilege of selling tangible personal property at retail upon every retailer in the county at the rate of 11/4 percent, and on and after July 1, 2004, three-quarters of 1 percent, of the gross receipts of the retailer from the sale of all tangible personal property sold by that person at retail in the county.

(b) Provisions identical to those contained in Part 1 (commencing with Section 6001), insofar as they relate to sales taxes, except that the name of the county as the taxing agency shall be substituted for that of the state and that an additional seller's permit shall not be required if one has been or is issued to the seller under Section 6067.

(c) A provision that all amendments subsequent to the effective date of the enactment of Part 1 (commencing with Section 6001) relating to sales tax and not inconsistent with this part, shall automatically become a part of the sales tax ordinance of the county.

(d) A provision that the county shall contract prior to the effective date of the county sales and use tax ordinances with the State Board of Equalization to perform all functions incident to the administration or operation of the sales and use tax ordinance of the county. ~~Any such~~ This contract shall contain a provision that the county agrees to comply with the provisions of Article 11 (commencing with Section 29530) of Chapter 2 of Division 3 of Title 3 of the Government Code.

(e) A provision that the ordinance may be made inoperative not less than 60 days, but not earlier than the first day of the calendar quarter, following the county's lack of compliance with Article 11 (commencing with Section 29530) of Chapter 2 of Division 3 of Title 3 of the Government Code or following an increase by any city within the county of the rate of its sales or use tax above the rate in effect at the time the county ordinance was enacted.

(f) A provision that the amount subject to tax shall not include the amount of any sales tax or use tax imposed by the State of California upon a retailer or consumer.

(g) A provision that there is exempted from the sales tax 80 percent of the gross receipts from the sale of tangible personal property, other than fuel or petroleum products, to operators of aircraft to be used or consumed principally outside the county in which the sale is made and directly and exclusively in the use of the aircraft as common carriers of persons or property under the authority of the laws of this state, the United States, or any foreign government.

(h) A provision that any person subject to a sales and use tax under the county ordinance shall be entitled to credit against the payment of taxes due under that ordinance the amount of sales and use tax due to any city in the county; provided, that the city sales and use tax is levied under an ordinance including provisions in

substance as follows:

(1) A provision imposing a tax for the privilege of selling tangible personal property at retail upon every retailer in the city at the rate of 1 percent or less, and on and after July 1, 2004, one-half of 1 percent or less, of the gross receipts of the retailer from the sale of all tangible personal property sold by that person at retail in the city and a use tax of 1 percent or less of purchase price upon the storage, use or other consumption of tangible personal property purchased from a retailer for storage, use or consumption in the city.

(2) Provisions identical to those contained in Part 1 (commencing with Section 6001), insofar as they relate to sales and use taxes, except that the name of the city as the taxing agency shall be substituted for that of the state (but the name of the city shall not be substituted for the word "state" in the phrase "retailer engaged in business in this state" in Section 6203 nor in the definition of that phrase in Section 6203) and that an additional seller's permit shall not be required if one has been or is issued to the seller under Section 6067.

(3) A provision that all amendments subsequent to the effective date of the enactment of Part 1 (commencing with Section 6001) relating to sales and use tax and not inconsistent with this part, shall automatically become a part of the sales and use tax ordinance of the city.

(4) A provision that the city shall contract prior to the effective date of the city sales and use tax ordinance with the State Board of Equalization to perform all functions incident to the administration or operation of the sales and use tax ordinance of the city which shall continue in effect so long as the county within which the city is located has an operative sales and use tax ordinance enacted pursuant to this part.

(5) A provision that the storage, use or other consumption of tangible personal property, the gross receipts from the sale of which has been subject to sales tax under a sales and use tax ordinance enacted in accordance with this part by any city and county, county, or city in this state, shall be exempt from the tax due under this ordinance.

(6) A provision that the amount subject to tax shall not include the amount of any sales tax or use tax imposed by the State of California upon a retailer or consumer.

(7) A provision that there are exempted from the computation of the amount of the sales tax the gross receipts from the sale of tangible personal property to operators of aircraft to be used or consumed principally outside the city in which the sale is made and directly and exclusively in the use of the aircraft as common carriers of persons or property under the authority of the laws of this state, the United States, or any foreign government.

(8) A provision that, in addition to the exemptions provided in Sections 6366 and 6366.1, the storage, use, or other consumption of tangible personal property purchased by operators of aircraft and used or consumed by the operators directly and exclusively in the use of the aircraft as common carriers of persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the laws of this state, the United States, or any foreign government is exempt from the use tax.

SEC. 7. Section 7203 of the Revenue and Taxation Code is amended to read:

7203. The use tax portion of any sales and use tax ordinance adopted under this part shall impose a complementary tax upon the storage, use or other consumption in the county of tangible personal property purchased from any retailer for storage, use or other consumption in the county. That tax shall be at the rate of 11/4 percent, and on and after July 1, 2004, three-quarters of 1 percent, of the sales price of the property whose storage, use or other consumption is subject to the tax and shall include:

(a) Provisions identical to the provisions contained in Part 1 (commencing with Section 6001), other than Section 6201 insofar as those provisions relate to the use tax, except that the name of the

county as the taxing agency enacting the ordinance shall be substituted for that of the state (but the name of the county shall not be substituted for the word "state" in the phrase "retailer engaged in business in this state" in Section 6203 nor in the definition of that phrase in Section 6203).

(b) A provision that all amendments subsequent to the date of ~~such~~ the ordinance to the provisions of the Revenue and Taxation Code relating to the use tax and not inconsistent with this part shall automatically become a part of the ordinance.

(c) A provision that the storage, use or other consumption of tangible personal property, the gross receipts from the sale of which has been subject to sales tax under a sales and use tax ordinance enacted in accordance with this part by any city and county, county, or city in this state, shall be exempt from the tax due under this ordinance.

(d) A provision that the amount subject to tax shall not include the amount of any sales tax or use tax imposed by the State of California upon a retailer or consumer.

(e) A provision that, in addition to the exemptions provided in Sections 6366 and 6366.1, the storage, use, or other consumption of tangible personal property, other than fuel or petroleum products, purchased by operators of aircraft and used or consumed by the operators directly and exclusively in the use of the aircraft as common carriers of persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the laws of this state, the United States or any foreign government is exempt from 80 percent of the use tax.

SEC. 8. It is the intent of the Legislature in enacting this act that the state maintain its aggregate funding obligations under Section 8 of Article XVI of the California Constitution.

SEC. 9. If Section 97.68 of the Revenue and Taxation Code is amended in a manner that results in a reduction in the amount of ad valorem property tax revenue that is allocated to a city or county pursuant to this act, Sections 2, 3, 4, 5, 6, 7, and 8 of this act shall cease to be operative.

SEC. 10. Notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars (\$1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

RESOLUTION NO. 2003-94

A RESOLUTION OF THE LODI CITY COUNCIL
OPPOSING AB 1221 (STEINBERG AND CAMPBELL)
RELATING TO PROPERTY AND SALES TAX SHIFTS

WHEREAS, AB 1221 swaps half of local government sales tax revenues for an equal amount (dollar-for-dollar) of property taxes. The authors' stated intent for the bill is to reduce the incentive for local governments to chase sales tax dollars at the expense of other land uses; and

WHEREAS, the League of California Cities remains opposed to the measure, unless amended to provide constitutional protection for local government revenues. The bill has a number of other additional issues that also need to be addressed; and

WHEREAS, the City of Lodi relies on sales tax and property tax to fund general services for the community. Sales tax estimates for fiscal year 2003-04 are \$8.7 million and property tax revenues are expected to be \$6.4 million. A preliminary analysis of the potential impact of AB 1221 on the City of Lodi indicates that the City would lose an estimated \$3 million over the next five years. In addition, AB 1221 shifts the local control of tax revenues to the State with no constitutional guarantees against future such actions.

NOW, THEREFORE, BE IT RESOLVED, that the Lodi City Council does hereby oppose AB 1221 relating to property and sales tax shifts.

Dated: May 21, 2003

I hereby certify that Resolution No. 2003-94 was passed and adopted by the Lodi City Council in a regular meeting held May 21, 2003, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Howard, and Land
NOES: COUNCIL MEMBERS – Beckman
ABSENT: COUNCIL MEMBERS – Mayor Hitchcock
ABSTAIN: COUNCIL MEMBERS – None



SUSAN J. BLACKSTON
City Clerk