

TAX AND FEE REPORT

Major Taxes and Fees Introduced in the California Legislature

Vol. VI, No. 3
August 14, 2019



\$20.4 BILLION

Through the legislative summer recess that ended on August 12, California lawmakers introduced proposals that could cost taxpayers more than \$20.4 billion annually in higher taxes and fees.

INTRODUCTION

California lawmakers introduced more than \$20.4 billion in new taxes and fees in the 2019-2020 legislative session, as of the end of the 2019 summer recess. The proposals cumulatively represent 14 percent of general fund revenue at a time when California has a record-high budget, robust reserves and an operating budget surplus.

In June, Governor Gavin Newsom signed a record \$214.8 budget for fiscal year 2019-20 — a \$13.4 billion increase over the enacted 2018-19 budget. Newsom projected that the state will have \$30 billion in reserves by the end of the 2019-20 fiscal year.¹ The Legislative Analyst's Office reported that the state has an operating surplus of \$22 billion. (The surplus is the amount of tax revenue projected to be received, minus required ongoing spending, including mandated school and health care spending. This operating surplus is distinct from the budget reserves.)

1. The Legislative Analyst's Office estimates that the state will end the 2019-20 fiscal year with general fund reserves of \$19.2 billion.

FINDINGS

1

More than \$20.4 billion per year in higher taxes and fees

Lawmakers proposed tax and fee increases totaling more than \$20.4 billion annually. Of the 72 bills and constitutional amendments containing taxes and fees, the cost of 37 cannot be quantified yet.

2

Proposals represent 14 percent of general fund revenue

If every proposal with a known cost is enacted by the Legislature, it would equal 14 percent of general fund revenue, during a period when California has record-high budget reserves, an operating surplus of \$22 billion, and a general fund revenue increase of \$5.7 billion over the prior year.

3

Proposed taxes and fees represent 68 percent of current reserves

If every proposal with a known cost is enacted by the Legislature, the annual revenue increase will be equivalent to 68 percent of current state reserve funds, estimated by Governor Newsom to reach \$30 billion by the end of the fiscal year - although the reserve amounts would change with revenue growth.

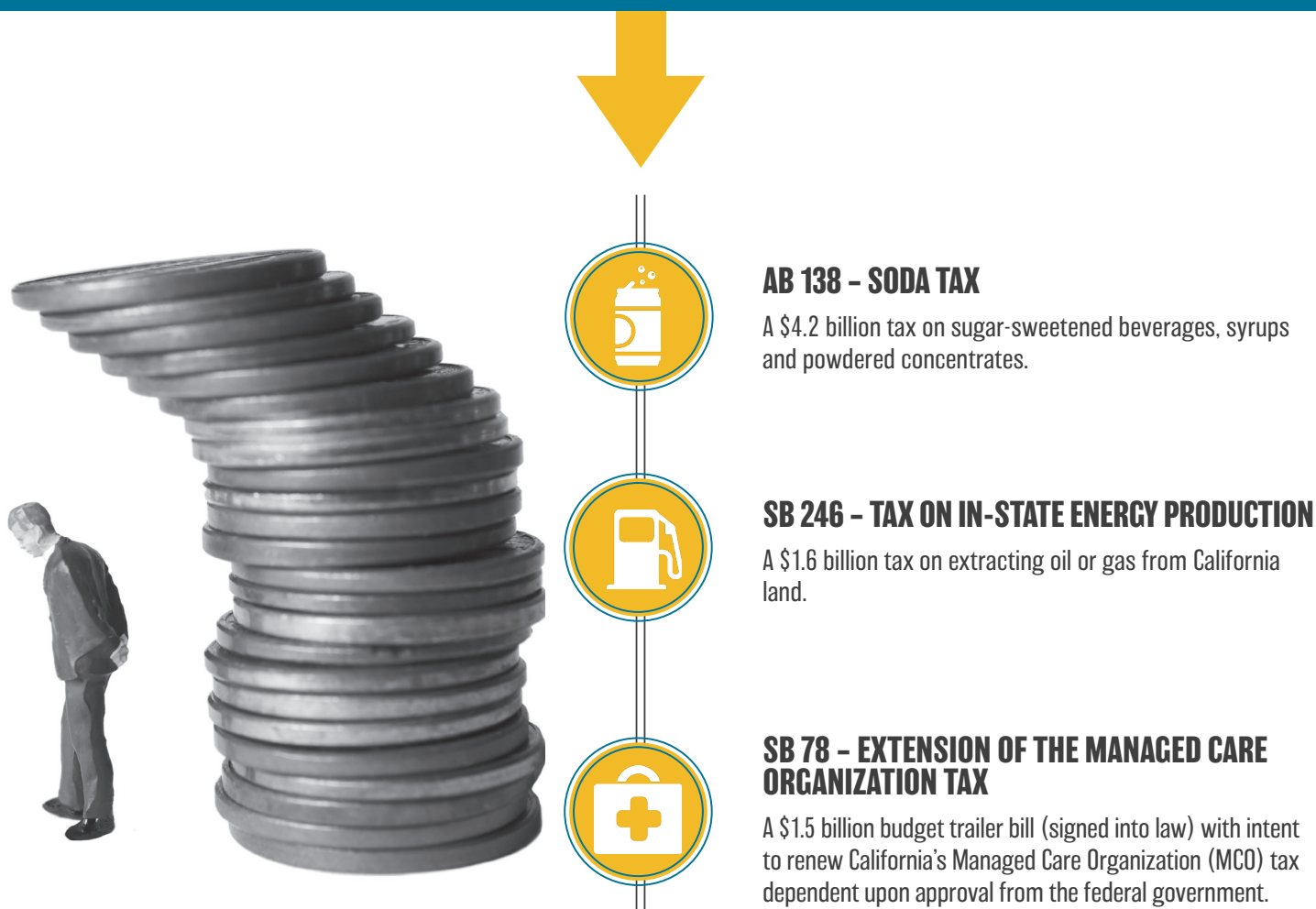
4

Nearly two-thirds of proposed tax or fee increases are no longer moving forward

Of the 72 measures proposed to raise taxes and fees, 24 have been amended to remove the tax or fee increases, have become two-year bills, or have been vetoed by the governor. These bills account for \$14 billion of the \$20.4 billion total.

THE MOST EXPENSIVE ACTIVE BILLS

The three costliest bills in the Legislature account for 36 percent of all tax and fee increases proposed so far, but “spot bills” that haven’t been fully detailed could cost much more.



PROJECTED COST TO TAXPAYERS

PROPOSAL	ESTIMATED ANNUAL COST TO TAXPAYERS	STATUS
Sales on Tax Services - SB 522 (Hertzberg) ¹	\$14,073,000,000	
Repeal of Some Tax Incentives - SB 468 (Jackson)	\$7,650,000,000 ²	
Soda Tax - AB 138 (Bloom)	\$4,200,000,000	②
Tax on In-State Energy Production - SB 246 (Wieckowski)	\$1,600,000,000	② *
Extension of the Managed Care Organization Tax - SB 78	\$1,500,000,000 ³	✓
Federal Tax Conformity - AB 91 (Burke)	\$1,278,000,000	✓
Extends Ratepayer Charge for Wildfire Victims - AB 1054 (Holden)	\$1,050,000,000	✓
Eliminates Change-in-Ownership Exclusion - SCA 3 (Hill)	\$1,000,000,000	
Authorizes Air District to Impose Taxes - SB 732 (Allen)	\$490,400,000	②
Disallows Wagering Loss Tax Deduction - AB 1606 (Gray)	\$490,000,000	
Corporate Tax Increase Based on CEO Pay - SB 37 (Skinner)	\$340,000,000	② *
Expands Sales and Use Tax Collection Obligations - AB 147 (Burke)	\$309,000,000	✓
Surcharge on Phones - SB 96 (Senate Budget and Fiscal Review Committee)	\$175,000,000	✓
Drinking Water Tax - AB 217 (Eduardo Garcia)	\$97,300,000	
Tire Tax Increase - AB 755 (Holden)	\$55,000,000	② *
Telephone Surcharge - AB 497 (Santiago)	\$50,000,000	
Opioid Tax - AB 1468 (McCarty and Gallagher)	\$50,000,000	
Doubles Existing Fee - AB 142 (Cristina Garcia)	\$21,400,000	
Emissions Fee - SB 210 (Leyva)	\$17,520,000	
Lower Vote for School Parcel Taxes - SCA 5 (Hill)	\$16,200,000	
Firearms Tax - AB 18 (Levine)	\$13,100,000	
Increases Various Court Fees - AB 330 (Gabriel)	\$11,200,000	

1. SB 993, a proposal similar to SB 522, also included a possible reduction in the sales tax rate on purchases of goods, which could reduce the estimated revenue of a sales tax on services. This bill is currently in spot bill form. This bill has been excluded from the report's cumulative total because once it is amended, the amount could be significantly higher or lower. Estimated cost sourced from "An Analysis of Sales Taxes on Business Services in California" prepared by Encina Advisors, LLC.

2. This amount reflects language from the bill prior to the May 7, 2019, amendment.

3. This budget trailer bill includes intent to extend the MCO tax upon federal approval.

PROJECTED COST TO TAXPAYERS

PROPOSAL	ESTIMATED ANNUAL COST TO TAXPAYERS	STATUS
San Francisco Street Fee - AB 1605 (Ting)	\$10,500,000	
Tax Increase on Lawyers - AB 1060 (Gray)	\$10,200,000	
Medi-Cal Fee for Air Ambulance Services - AB 651 (Grayson)	\$10,000,000	
Water District Fees - AB 402 (Quirk)	\$6,900,000	
Notary Registration Fee - AB 199 (Calderon)	\$4,000,000	②
Fee on Grape Processors - SB 449 (McGuire)	\$3,200,000	
Fee for State Armored Courier Services - AB 717 (Nazarian)	\$2,800,000	②
Agriculture Inspection Fees - AB 419 (Assembly Agriculture Committee)	\$ 2,300,000	
Commercial Feed Tax - AB 657 (Eggman)	\$1,900,000	
Court Reporter Fee Increase - AB 1385 (Santiago)	\$1,900,000	
Filing Fees in Administrative Hearings - SB 454 (Caballero)	\$1,500,000	②
Lithium-Ion Battery Recycling Fee - AB 1509 (Mullin)	\$1,120,000	②
Fee on Reusable Tobacco Components - SB 424 (Jackson)	\$1,080,000	②

Key

- ✓ The bill was signed and chaptered into law.
- ✗ The bill was vetoed by the governor.
- The bill is actively moving through the Legislature.
- ② The bill was introduced in 2019, but cannot be acted upon until 2020.
- ②* The bill is technically active, but it is not likely that the bill will move this year.
- Tax or fee provisions were amended out of the legislation.



LEGISLATION WITH KNOWN COSTS

AB 18 – FIREARMS TAX

\$13.1 MILLION ||

Vote Required: Two-Thirds
Version Reviewed: Amended – 4/24/2019
Status: Active

AB 18 (Levine) imposes a \$25 excise tax on sales of handguns and semiautomatic rifles to raise revenue to fund grants through the California Violence Intervention and Prevention Grant Program.



Revenue Estimate: Assembly Revenue and Taxation Committee Analysis.

AB 91 – FEDERAL TAX CONFORMITY

\$1.28 BILLION ||

Vote Required: Two-Thirds
Version Reviewed: Chaptered – 7/1/2019
Status: Enacted

AB 91 (Burke) selectively conforms to the federal tax code, including many changes that were part of the Tax Cuts and Jobs Act of 2017. Revenues raised by the conformity package are expected to finance the expansion of the California Earned Income Tax Credit. The bill was signed into law by Governor Gavin Newsom (Chapter 39, Statutes of 2019).



Revenue Estimate: Legislative Analyst's Office Report: "2019-20 Budget: Overview of the California Spending Plan (Preliminary Version)."

AB 138 – SODA TAX

\$4.2 BILLION ||

Vote Required: Two-Thirds
Version Reviewed: Amended – 4/11/2019
Status: Two-Year Bill

AB 138 (Bloom) imposes a tax of 2 cents per fluid ounce of sugar-sweetened beverages, concentrates and syrups for the privilege of distributing these products in California, and earmarks revenue to fund public health programs intended to reduce diabetes, heart disease and obesity.



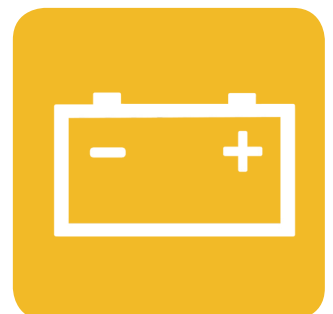
Revenue Estimate: Assembly Revenue and Taxation Committee Analysis.

AB 142 – DOUBLES EXISTING BATTERY FEE

\$21.4 MILLION ||

Vote Required: Two-Thirds
Version Reviewed: Amended – 6/26/2019
Status: Active

AB 142 (Cristina Garcia) doubles the state's lead-acid battery fee from \$1 to \$2 to fund cleanup of sites contaminated by the operation of a lead-acid battery recycling facility.



Revenue Estimate: Assembly Appropriations Committee Analysis.

AB 147 – EXPANDS SALES AND USE TAX COLLECTION OBLIGATIONS

\$309 MILLION

Vote Required: Two-Thirds
Version Reviewed: Chaptered – 4/25/2019
Status: Enacted

AB 147 (Burke) requires businesses that meet a specified economic threshold to collect and remit California sales and use taxes for online sales. The bill was signed into law by Governor Gavin Newsom (Chapter 5, Statutes of 2019).



Revenue Estimate: Assembly Floor
 Analysis – 4/5/2019.

AB 199 – NOTARY REGISTRATION FEE

\$4 MILLION

Vote Required: Majority
Version Reviewed: Introduced – 1/10/2019
Status: Two-Year Bill

AB 199 (Calderon) authorizes California notaries public to provide remote notary services over the Internet, and authorizes the state to charge an unspecified fee for applying for registration as an online notary.



Revenue Estimate: Assembly Appropriations
 Committee Analysis of AB 2368 (2018).

AB 217 – DRINKING WATER TAX

\$97.3 MILLION

Vote Required: Two-Thirds
Version Reviewed: Amended – 5/21/2019
Status: Tax or Fee Provisions Removed

AB 217 (Eduardo Garcia) imposes a “tax-like” fee in the amount of 50 cents per service connection on all retail water systems, as well as a “fertilizer safe drinking water fee” of \$0.01 per \$1 of all sales of fertilizing materials and \$0.006 per \$1 of packaged fertilizers intended for noncommercial use, a “dairy safe drinking water fee” of \$0.020325 per hundredweight of milk, a “fee” of \$1,000 for the first nondairy confined animal facility (and \$750 for each facility thereafter owned by the same producer, up to \$12,000 per producer per year), to fund drinking water programs. The bill’s tax provisions were removed on June 13, 2019.



Revenue Estimate: Assembly Floor Analysis.

AB 330 – INCREASES VARIOUS COURT FEES

\$11.2 MILLION

Vote Required: Two-Thirds
Version Reviewed: Amended – 5/9/2019
Status: Active

AB 330 (Gabriel) increases various court fees by \$15 and requires the courts to use the revenue from the increases and other fees to establish the Sargent Shriver Civil Counsel Act to provide attorneys for litigants who face “life-changing civil legal matters” but cannot afford legal representation.



Revenue Estimate: Assembly Appropriations
 Committee Analysis.

AB 402 – WATER DISTRICT FEES

\$6.9 MILLION ||

Vote Required: Majority
Version Reviewed: Amended – 6/18/2019
Status: Active

AB 402 (Quirk) authorizes the State Water Resources Control Board to establish and collect fees from small public water systems in specified counties that choose to have the board administer and enforce drinking water standards. The fees would cover the costs of the State Water Resources Control Board.



Revenue Estimate: Assembly Appropriations
Committee Analysis.

AB 419 – AGRICULTURE INSPECTION FEES

\$2.3 MILLION ||

Vote Required: Two-Thirds
Version Reviewed: Introduced – 6/10/2019
Status: Active

AB 419 (Assembly Agriculture Committee) extends various agricultural inspection fees on food producers for five years, through January 1, 2025 to cover the costs of agriculture inspection programs.



Revenue Estimate: Assembly Appropriations
Committee Analysis.

AB 497 – TELEPHONE SURCHARGE

\$50 MILLION ||

Vote Required: Two-Thirds
Version Reviewed: Amended – 4/22/2019
Status: Active

AB 497 (Santiago) extends a surcharge of up to 0.5 percent on intrastate telephone service (other than one-way radio paging service and universal telephone service) for five years to fund the Deaf and Disabled Telecommunications Program administered by the Public Utilities Commission.



Revenue Estimate: Assembly Appropriations
Committee Analysis.

AB 651 – MEDI-CAL FEE FOR AIR AMBULANCE SERVICES

\$10 MILLION ||

Vote Required: Majority
Version Reviewed: Amended – 7/1/2019
Status: Active

AB 651 (Grayson) requires the State Department of Healthcare Services to set and maintain a Medi-Cal fee rate for air ambulance services, equal to a percentage of the rural Medicare rates for those services. The bill also deletes an authorization stating that money collected for specified vehicle violations can be used to fund the program.



Revenue Estimate: Assembly Appropriations
Committee Analysis.

AB 657 – COMMERCIAL FEED TAX

\$1.9 MILLION || **Vote Required:** Two-Thirds
Version Reviewed: Amended – 6/10/2019
Status: Active

AB 657 (Eggman) increases and extends a tonnage tax by 10 cents, to 25 cents per ton of commercial agriculture feed sold, to raise revenue for research and education about safe livestock feeding practices. The bill also imposes a \$100 new license fee per facility until January 1, 2025.



Revenue Estimate: Senate Appropriations Committee Analysis of AB 1132 (2013).

AB 717 – FEE FOR STATE ARMORED COURIER SERVICES

\$2.8 MILLION || **Vote Required:** Majority
Version Reviewed: Amended – 4/24/2019
Status: Two-Year Bill

AB 717 (Nazarian) authorizes a state agency to enter into an agreement with a participating business to charge a fee to cover the costs of the state providing armored courier services.



Revenue Estimate: California Department of Tax and Fee Administration Analysis.

AB 755 – TIRE TAX INCREASE

\$55 MILLION || **Vote Required:** Two-Thirds
Version Reviewed: Amended – 5/16/2019
Status: Two-Year Bill

AB 755 (Holden) increases the California tire tax of \$1.75 cents per tire by \$1.50 per tire, and deposits the increased revenue into the Stormwater Permit Compliance Fund for remediation of zinc pollutants allegedly caused from the use of tires.



Revenue Estimate: Assembly Appropriations Committee Analysis.

AB 1054 – EXTENDS RATEPAYER CHARGE FOR WILDFIRE VICTIMS

\$1.05 BILLION || **Vote Required:** Two-Thirds
Version Reviewed: Chaptered – 7/12/2019
Status: Enacted

AB 1054 (Holden) extends an expiring Department of Water Resources ratepayer charge to partially fund a wildfire insurance fund that compensates victims of wildfires. Under the plan, the wildfire insurance fund would contain \$21 billion with contributions into the fund split equally between investor-owned utility ratepayers and the utility companies. The revenue estimate assumes the ratepayer portion of \$10.5 billion will be funded over a 10-year period. The existing charge is roughly \$0.005 per kilowatt hour for most customers who are a part of the state's three large investor-owned electrical utilities. The bill was signed into law by Governor Gavin Newsom (Chapter 79, Statutes of 2019).



Revenue Estimate: Assembly Utilities and Energy Committee Analysis.

AB 1060 – TAX INCREASE ON LAWYERS

\$10.2 MILLION ||

Vote Required: Two-Thirds
Version Reviewed: Amended - 4/4/2019
Status: Active

AB 1060 (Gray) makes mandatory a \$40 “fee” on California lawyers to support nonprofit organizations that provide free legal services to low-income people, and removes the requirement that the fee invoice provide an option of deducting that fee.



Revenue Estimate: California Tax Foundation
using State Bar data.

AB 1385 – COURT REPORTER FEE INCREASE

\$1.9 MILLION ||

Vote Required: Majority
Version Reviewed: Amended - 6/21/2019
Status: Active

AB 1385 (Santiago) increases court reporter fees beginning July 1, 2020, to increase the pay and attract court reporters employed by the courts across the state.



Revenue Estimate: Assembly Appropriations
Committee Analysis.

AB 1468 – OPIOID TAX

\$50 MILLION ||

Vote Required: Two-Thirds
Version Reviewed: Amended - 5/8/2019
Status: Active

AB 1468 (McCarty and Gallagher) establishes an aggregate \$50 million tax on manufacturers and wholesalers who sell or distribute opioid drugs in California, with companies' ratable share based on mandated reports of sales and distribution in the preceding fiscal year. The tax would fund opioid prevention and rehabilitation programs. The legislation includes a civil penalty for companies that pass the cost of the tax to the purchaser.



Revenue Estimate: AB 1468 Language.

AB 1509 – LITHIUM-ION BATTERY RECYCLING FEE

\$1.12 MILLION ||

Vote Required: Majority
Version Reviewed: Amended - 5/1/2019
Status: Two-Year Bill

AB 1509 (Mullin) requires entities covered by the state battery recycling program to pay the Department of Resources Recycling and Recovery an administrative fee to cover the costs of implementing the program.



Revenue Estimate: Assembly Appropriations
Committee Analysis.

AB 1605 – SAN FRANCISCO STREET FEE

\$10.5 MILLION

Vote Required: Majority
Version Reviewed: Amended – 6/13/2019
Status: Active

AB 1605 (Ting) authorizes the San Francisco Board of Supervisors to conduct a reservation and pricing pilot program for seven years for vehicles that use Lombard Street, aka the “Crooked Street.” Gives authority to the board to specify the powers and duties of the program administrator, including the authority to impose “fees” on vehicles for the use of the public street.



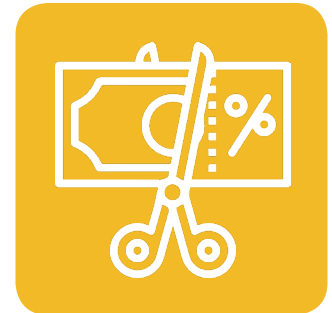
Revenue Estimate: California Tax Foundation
 Analysis of the San Francisco County
 Transportation Authority ‘Lombard Crooked
 Street Study.’

AB 1606 – DISALLOWS WAGERING LOSS TAX DEDUCTION

\$490 MILLION

Vote Required: Two-Thirds
Version Reviewed: Introduced – 2/22/2019
Status: Active

AB 1606 (Gray) disallows a personal income tax deduction relating to wagering losses until a balance of \$500 million is achieved and maintained in the San Joaquin Valley Regional Campus Medical Education Endowment Fund. The bill requires the state controller to determine the revenue gained from the disallowed deduction and transfer that amount from the general fund to the medical education fund.



Revenue Estimate: Assembly Revenue and
 Taxation Committee Analysis.

SB 37 – CORPORATE TAX INCREASE BASED ON CEO PAY

\$340 MILLION

Vote Required: Two-Thirds
Version Reviewed: Amended – 4/3/2019
Status: Active

SB 37 (Skinner) increases the corporate income tax rate for corporations that have a specified disparity between the pay of the chief executive officer and the median salary for employees. The current corporate tax rate of 8.84 percent (10.84 percent for financial institutions) would increase to 10.84 percent and could reach 14.84 percent (12.84 percent to 16.84 percent for financial institutions) for corporations with net income in excess of \$10 million, based on each corporation’s “compensation ratio” effective January 1, 2020. Additionally, the bill would increase the tax rate to a maximum of 22.26 percent (24.26 percent for banks and financial corporations) for corporations with net income in excess of \$10 million that have a specified decrease in full-time employees in the United States while increasing the number of contracted and foreign full-time employees.



Revenue Estimate: Franchise Tax Board
 Analysis of SB 1372 in 2014.

SB 78 – EXTENSION OF THE MANAGED CARE ORGANIZATION TAX

\$1.5 BILLION

Vote Required: Majority
Version Reviewed: Chaptered – 6/27/2019
Status: Enacted

SB 78 (Senate Budget and Fiscal Review Committee) is a health budget trailer bill that includes intent language to extend California’s managed care organization tax (MCO) contingent upon approval by the federal government. The bill was signed into law by Governor Gavin Newsom (Chapter 38, Statutes of 2019).



Revenue Estimate: Legislative Analyst’s Office
 report: “The MCO Tax Item 4260-101-0001”

SB 96 – SURCHARGE ON PHONES

\$175 MILLION ||

Vote Required: Two-Thirds
Version Reviewed: Chaptered – 7/1/2019
Status: Enacted

SB 96 (Senate Budget and Fiscal Review Committee) imposes a surcharge on phones in which a service user subscribes with a service, at no greater than \$0.80 per access line, based on the Office of Emergency Services' estimate of the number of access lines to which the surcharge would be applied monthly, beginning January 1, 2020. Revenue will be used to update the state's emergency 9-1-1 system. The bill was signed into law by Governor Gavin Newsom (Chapter 54, Statutes of 2019).



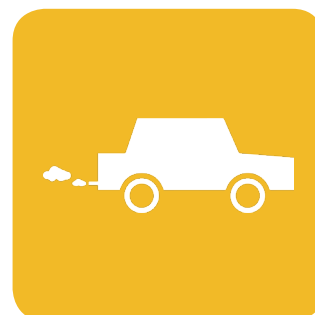
Revenue Estimate: Department of Finance Analysis cited by Senator Holly Mitchell during the June 20, 2019, Senate floor session.

SB 210 – EMISSIONS FEE

\$17.52 MILLION ||

Vote Required: Majority
Version Reviewed: Amended – 6/24/2019
Status: Active

SB 210 (Leyva) imposes a \$50 fee for a temporary permit to operate a vehicle that does not meet specified criteria. Revenue would be deposited into the Truck Emission Check Fund.



Revenue Estimate: Senate Appropriations Committee Analysis.

SB 246 – TAX ON IN-STATE ENERGY PRODUCTION

\$1.6 BILLION ||

Vote Required: Two-Thirds
Version Reviewed: Introduced – 2/11/2019
Status: Two-Year Bill

SB 246 (Wieckowski) imposes an oil severance tax at the rate of 10 percent of the average price per barrel of California oil and a gas severance tax of 10 percent of the average price per unit of gas, with revenue going to the general fund.



Revenue Estimate: Senate Appropriations Committee Analysis of SB 231 (2013).

SB 424 – FEE ON REUSABLE TOBACCO COMPONENTS

\$1.08 MILLION ||

Vote Required: Majority
Version Reviewed: Amended – 5/17/2019
Status: Two-Year Bill

SB 424 (Jackson) authorizes the Department of Resources Recycling and Recovery to impose an unspecified fee on manufacturers of tobacco products with a reusable component.



Revenue Estimate: Senate Appropriations Committee Analysis.

SB 449 – FEE ON GRAPE PROCESSORS

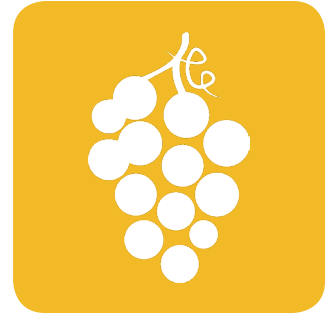
\$3.2 MILLION

Vote Required: Majority

Version Reviewed: Amended - 5/28/2019

Status: Active

SB 449 (McGuire) extends an assessment placed on grape processors set to expire on March 1, 2021, for five years to fund research related to the Pierce's disease program.



Revenue Estimate: Senate Appropriations
Committee Analysis.

SB 454 – FILING FEES IN ADMINISTRATIVE HEARINGS

\$1.5 MILLION

Vote Required: Majority

Version Reviewed: Amended - 4/30/2019

Status: Two-Year Bill

SB 454 (Caballero) requires the State Water Resources Control Board to assess fees for the filing of briefing papers or motions in a hearing conducted by the office.



Revenue Estimate: Senate Appropriations
Committee Analysis.

SB 468 – REPEAL OF SOME TAX INCENTIVES

\$7.65 BILLION

Vote Required: Two-Thirds

Version Reviewed: Amended - 4/25/2019

Status: Tax or fee provisions removed

SB 468 (Jackson) proposed repealing all “tax expenditures” (credits, deductions, exclusions, etc.) not under the personal income tax law on December 31, 2023. The tax provisions that would have increased taxes by \$7.65 billion were removed on May 7, 2019. The bill now requires the state to establish a review board that could recommend that the Legislature repeal any tax incentive.



Revenue Estimate: Department of Finance
Expenditure Report 2018-2019.

SB 522 – SALES TAX ON SERVICES

\$14 BILLION

Vote Required: Two-Thirds

Version Reviewed: Introduced - 2/21/2019

Status: Active

SB 522 (Hertzberg) is a spot bill relating to implementing a sales tax on services in California. A May 2019 report conducted by Encina Advisors LLC estimated that imposing sales taxes on business services would cost taxpayers \$14 billion annually. The estimate was not used in this report's total calculation because the bill, once amended with substantive language, could result in a tax increase that is significantly higher or lower.



Revenue Estimate: “An Analysis of Sales
Taxes on Business Services in California,”
conducted by Encina Advisors, LLC.

SB 732 – AUTHORIZES AIR DISTRICT TO IMPOSE TAXES

\$490.4 MILLION ||

Vote Required: Majority

Version Reviewed: Amended - 4/30/2019

Status: Two-Year Bill

SB 732 (Allen) authorizes the South Coast Air Quality Management District, which encompasses Los Angeles, Orange, Riverside and San Bernardino counties, to impose a transactions and use tax within its boundaries up to 1 percent and exceed the local 2 percent transactions and use tax cap. The analysis stated the minimum tax increase authorized by the bill would more than triple the district's current budget.



Revenue Estimate: Senate Governance and Finance Committee Analysis. The CDTFA estimated a minimum quarter-percent sales tax increase would generate \$490.4 million.

SCA 3 – ELIMINATES CHANGE-IN-OWNERSHIP EXCLUSION

\$1 BILLION ||

Vote Required: Two-Thirds

Version Reviewed: Introduced - 12/4/2018

Status: Active

SCA 3 (Hill) eliminates the property tax change-in-ownership exclusion for residences inherited from a parent or grandparent if the recipient does not use the home as a principal residence within 12 months.



Revenue Estimate: Senator Jerry Hill testimony to Senate Elections and Constitutional Amendments Committee on May 7, 2019.

SCA 5 – LOWER VOTE FOR SCHOOL PARCEL TAXES

\$16.2 MILLION ||

Vote Required: Two-Thirds

Version Reviewed: Amended - 4/22/2019

Status: Active

SCA 5 (Hill) lowers the public vote threshold from two-thirds to 55 percent for approval of parcel taxes placed on the ballot by a school or community college district.



Revenue Estimate: California Tax Foundation Analysis of 2018 Election Data.



LEGISLATION WITH UNKNOWN COSTS

TAX AND FEE REPORT

AB 136 Eliminates Tax Deduction for People Found Guilty in College Admissions Scandal

AB 136 (Quirk-Silva) eliminates a personal income tax deduction for any contribution made to a postsecondary institution or to the Key Worldwide Foundation by a taxpayer named in the Federal Bureau of Investigations inquiry and found guilty in the college admissions scandal.

Version Reviewed: Amended - 6/27/2019 | **Vote Required:** Two-Thirds | **Status:** Active

AB 458 Fee for Optometrists' House Calls

AB 458 (Nazarian) authorizes optometrists to make house calls, and authorizes the state to impose a fee up to \$100 per year on any optometrist who receives certification to make house calls, to pay for the state's certification and enforcement costs.

Version Reviewed: Amended - 6/25/2019 | **Vote Required:** Majority | **Status:** Active

AB 590 Increases Various Milk Fees

AB 590 (Mathis) authorizes the secretary of the Department of Food and Agriculture to establish new assessments on milk and milk solids to replace existing fees.

Version Reviewed: Amended - 6/4/2019 | **Vote Required:** Two-Thirds | **Status:** Active

AB 613 Regulatory Fee Increases

AB 613 (Low) requires every board within the Department of Consumer Affairs to increase any authorized fee every four years by an amount not to exceed the rate of inflation for the preceding four years.

Version Reviewed: Introduced - 2/14/2019 | **Vote Required:** Majority | **Status:** Two-Year Bill

AB 618 Higher Sales Tax in Emeryville and Scotts Valley

AB 618 (Stone) authorizes the cities of Emeryville and Scotts Valley to exceed the state's 2 percent limit on local sales and use taxes by 0.25 percent. The bill was vetoed by Governor Gavin Newsom.

Version Reviewed: Amended - 6/5/2019 | **Vote Required:** Majority | **Status:** Vetoed

AB 723 Higher Sales Tax in Fremont and Alameda County

AB 723 (Quirk) authorizes the city of Fremont to exceed local 2 percent sales tax limit by 1 percent and additionally increases the rate at which Alameda County may impose a transactions and use tax to 1 percent.

Version Reviewed: Amended - 7/1/2019 | **Vote Required:** Majority | **Status:** Active

AB 825 Authorizes San Mateo Flood District to Impose Taxes

AB 825 (Mullin) authorizes the San Mateo County Flood Control District to impose taxes, assessments or property-related fees or charges.

Version Reviewed: Amended - 6/4/2019 | **Vote Required:** Majority | **Status:** Active

AB 879 Firearm Fees

AB 879 (Gipson) among other things establishes a firearms vendor license application fee and a per-transaction fee not to exceed \$1.

Version Reviewed: Amended - 6/17/2019 | **Vote Required:** Majority | **Status:** Active

AB 1024 Home Inspector License Fee

AB 1024 (Frazier) authorizes a license and license renewal fee for home inspectors, beginning January 1, 2022.

Version Reviewed: Introduced - 2/21/2019 | **Vote Required:** Majority | **Status:** Two-Year Bill

AB 1106 Los Angeles County Recording Fee

AB 1106 (Smith) extends a recording fee for Los Angeles County until January 1, 2030. This bill was signed into law by Governor Gavin Newsom (Chapter 165, Statutes of 2019).

Version Reviewed: Chaptered - 7/31/2019 | **Vote Required:** Majority | **Status:** Enacted

AB 1125 Animal Control Officer Fee

AB 1125 (Cooley) requires the California Animal Welfare Association to develop a program for certification of animal control officers, and authorizes the association's board of directors to impose a fee on the officers.

Version Reviewed: Amended - 5/29/2019 | **Vote Required:** Majority | **Status:** Active

AB 1267 Fee on Driving Instruction

AB 1267 (Robert Rivas) authorizes the Department of Motor Vehicles to impose a \$1 fee on driving schools or independent driving instructors for "each driver education or driver certificate of completion" furnished by the department.

Version Reviewed: Introduced - 2/21/2019 | **Vote Required:** Majority | **Status:** Two-Year Bill

AB 1297 Removes Cap on Concealed Carry License Fee

AB 1297 (McCarty) removes the \$100 cap on the fee for a license to carry a concealed firearm, and requires that the fee be equal to the cost of processing the application.

Version Reviewed: Introduced - 2/22/2019 | **Vote Required:** Majority | **Status:** Active

AB 1312 College Consultant Fee

AB 1312 (Low) requires every college consultant and college consulting firm to register with the state and pay specified fees.

Version Reviewed: Amended - 5/17/2019 | **Vote Required:** Majority | **Status:** Active

AB 1403 Transaction Fee on EBT Withdrawals

AB 1403 (Carrillo) modifies an existing transaction fee for making more than four withdrawals per month of state assistance benefits. The current fee is not to exceed "the amount allowed by applicable state and federal law and customarily charged to other customers." The new fee would be "in the amount established in the state's contract with the electronic benefit transfer vendor." The bill's fee provisions were removed on February 22, 2019.

Version Reviewed: Introduced - 2/22/2019 | **Vote Required:** Majority | **Status:** Tax or fee provisions removed

AB 1448 Dialysis Clinic Fee

AB 1448 (Gray) requires the State Department of Public Health to impose a supplemental license fee on licensed chronic dialysis clinics that receive a one- or two-star quality rating as determined by certain federal standards.

Version Reviewed: Introduced - 2/22/2019 | **Vote Required:** Majority | **Status:** Two-Year Bill

TAX AND FEE REPORT

AB 1457 Creates Taxing Authority in San Bernardino

AB 1457 (Reyes) creates a joint powers authority in San Bernardino County that would be authorized to impose fees and levy a transactions and use tax.

Version Reviewed: Amended - 5/24/2019 | **Vote Required:** Majority | **Status:** Two-Year Bill

AB 1487 Creates Bay Area Housing Agency With Taxing Authority

AB 1487 (Chiu) establishes the Bay Area Housing Finance Authority, tasked with increasing affordable housing by providing enhanced funding and technical assistance. Amendments removed provisions authorizing the agency to raise revenue and allocate funds throughout the Bay Area by placing tax and bond measures on the ballot for the nine Bay Area counties, but the author indicated that future amendments will reinsert these provisions.

Version Reviewed: Amended - 7/11/2019 | **Vote Required:** Majority | **Status:** Active

AB 1520 Shorthand Reporting Fee

AB 1520 (Low) authorizes an entity that is not a shorthand reporting corporation to engage in shorthand reporting if the entity registers with the board as a corporate court reporter provider and pays a registration fee to be determined by the Court Reporters Board of California.

Version Reviewed: Amended - 7/11/2019 | **Vote Required:** Two-Thirds | **Status:** Active

AB 1521 Public Accountant Permit Fee

AB 1521 (Low) establishes a minimum \$250 biennial fee for the renewal of public accountancy permits, and raises the maximum fee from \$250 to \$280.

Version Reviewed: Amended - 7/11/2019 | **Vote Required:** Majority | **Status:** Active

AB 1592 Athletic Trainers License Fee

AB 1592 (Bonta) establishes the California Board of Athletic Training and prohibits a person from practicing as an athletic trainer or using certain titles or terms without being licensed by the board. Allows the board to charge an application fee up to \$100, as well as an endorsement fee not to exceed \$50.

Version Reviewed: Amended - 3/28/2019 | **Vote Required:** Majority | **Status:** Two-Year Bill

AB 1607 Gender Discrimination Notice Fee

AB 1607 (Boerner Horvath) authorizes a city or county that issues business licenses to increase the fee for a business license not to exceed the cost of providing a gender discrimination notice.

Version Reviewed: Introduced - 7/5/2019 | **Vote Required:** Majority | **Status:** Active

AB 1627 Tobacco Directory Fee

AB 1627 (Robert Rivas) specifies that the state's directory of companies that certify they have made payments under a federal settlement agreement expires April 29 each year, and requires tobacco companies to renew their listings on the directory each year and pay a \$1,000 fee to the attorney general.

Version Reviewed: Introduced - 2/22/2019 | **Vote Required:** Majority | **Status:** Two-Year Bill

AB 1669 **Gun Show Fee Increase**

AB 1669 (Bonta) increases a Department of Justice fee on the purchase of firearms from \$13.19 to \$31.19 to cover the costs of its firearms-related regulatory and enforcement activities.

Version Reviewed: Amended - 6/20/2019 | **Vote Required:** Majority | **Status:** Active

AB 1775 **Increased Development Fees**

AB 1775 (Reyes) increases development fees by allowing local governments to impose fees for processing applications for governmental regulatory actions or approvals, fees collected under development agreements, and fees collected pursuant to agreements with redevelopment agencies, among others. The bill's fee provisions were removed on April 9, 2019.

Version Reviewed: Introduced - 2/22/2019 | **Vote Required:** Majority | **Status:** Tax or fee provisions removed

AB 1783 **Eliminates Tax Credits for Farmworker Housing**

AB 1783 (Robert Rivas) prohibits the use of state funding to plan, develop or operate housing that complies with the federal farmworker visa program criteria. The bill additionally prohibits any state housing tax credits to be allowed for farmworker housing used to comply with the federal criteria. The bill's tax provisions were removed on March 19, 2019.

Version Reviewed: Introduced - 2/22/2019 | **Vote Required:** Two-Thirds | **Status:** Tax or fee provisions removed

ACA 1 **Higher Local Taxes for Broad Definition of Infrastructure**

ACA 1 (Aguiar-Curry) lowers the public vote threshold from two-thirds to 55 percent for local taxes that fund "infrastructure" and affordable housing.

Version Reviewed: Amended - 3/18/2019 | **Vote Required:** Two-Thirds | **Status:** Active

SB 30 **Removes Fee Exemption on Domestic Partnership Registrations**

SB 30 (Wiener) removes a \$23 domestic partner registration exemption for opposite sex partnerships when filing a domestic partnership registration. This bill's tax provisions were removed on May 22, 2019.

Version Reviewed: Amended - 3/28/2019 | **Vote Required:** Two-Thirds | **Status:** Tax or fee provisions removed

SB 80 **Administrative Fee**

SB 80 (Senate Budget and Fiscal Review Committee) increases an administrative service fee by \$10 for child support services and deletes a prohibition on the Department of Justice or State Department of Social Services charging a "reasonable fee" for the costs of processing electronic fingerprint images. The bill was signed into law by Governor Gavin Newsom (Chapter 27, Statutes of 2019).

Version Reviewed: Chaptered - 6/27/2019 | **Vote Required:** Majority | **Status:** Enacted

SB 176 **State Bar License Fee**

SB 176 (Jackson) requires the State Bar of California to continue charging its annual license fee to fund its lawyer discipline system and other functions, at an as-yet-unspecified rate for 2020.

Version Reviewed: Amended - 7/10/2019 | **Vote Required:** Majority | **Status:** Active

SB 254 **California Earthquake Authority Fee**

SB 254 (Hertzberg) authorizes the California Earthquake Authority to instruct all insurers to collect an assessment on insurance policies, including specified insurance policies that cover risk in high seismic risk zones.

Version Reviewed: Amended - 4/1/2019 | **Vote Required:** Two-Thirds | **Status:** Active

TAX AND FEE REPORT

SB 292 Independent Insurance Adjusters Fee

SB 292 (Rubio) creates the Prepared California Disaster Mitigation Fund and imposes a \$12 annual assessment on all residential property insurance policies, a \$6 assessment on all private and commercial automobile insurance policies and an annual assessment of 1 percent of the annual premium on all commercial insurance policies covering physical property damage or business interruption for disaster mitigation needs.

Version Reviewed: Amended - 6/17/2019 | **Vote Required:** Two-Thirds | **Status:** Active

SB 378 Death Tax

SB 378 (Wiener) asks voters to repeal Proposition 6, the measure approved by voters in 1982 that prevents the Legislature from imposing any estate tax. This bill would call a special election and ask voters to impose a tax on estates in excess of \$3.5 million, in an amount equal to the tax imposed by Chapter 11 of Subtitle B of the Internal Revenue Code of 1986.

Version Reviewed: Amended - 3/25/2019 | **Vote Required:** Majority | **Status:** Active

SB 415 Registration of Tactical Vehicles

SB 415 (Grove) requires the Department of Motor Vehicles to establish a registration process for military and tactical vehicles for on-highway use by local fire departments, and to set minimum registration criteria for such vehicles and the payment of applicable fees. The bill's fee provisions were removed on April 22, 2019.

Version Reviewed: Introduced - 2/20/2019 | **Vote Required:** Majority | **Status:** Tax or fee provisions removed

SB 480 License Fee for Radiologist Assistants

SB 480 (Archuleta) authorizes a license fee and renewal fee to be imposed on radiologist assistants.

Version Reviewed: Introduced - 2/21/2019 | **Vote Required:** Majority | **Status:** Two-Year Bill

SB 642 Pharmacy Agency Fee

SB 642 (Stone) requires an agreement between the Prescription Acquisition and Adjudication Agency and a health care service plan or health insurer to include provisions granting 10 percent of any rebate or of the difference between the market value and the price negotiated by the agency, or 100 percent of the rebate or difference if the agreement is with a Medi-Cal managed care plan, to be paid to the agency and deposited into the Pharmaceutical Discount Fund.

Version Reviewed: Amended - 4/22/2019 | **Vote Required:** Two-Thirds | **Status:** Active

SB 741 Gender-Change Fee

SB 741 (Galgiani) authorizes a county to establish a fee for processing a change of gender on a birth certificate or marriage license.

Version Reviewed: Amended - 4/30/2019 | **Vote Required:** Majority | **Status:** Two-Year Bill

METHODOLOGY

This report identifies higher taxes, fees, assessments, and charges proposed by lawmakers from the beginning of the 2019–20 legislative session on December 3, 2018, through July 12, 2019. During this period, lawmakers introduced 2,647 bills and constitutional amendments. The California Tax Foundation identified 72 bills and constitutional amendments that contain higher costs, although the costs cannot yet be quantified for 37 of the measures.

Under Proposition 26, the voter-approved Stop Hidden Taxes Act of 2010, a tax is defined as any change in state statute that results in any taxpayer paying a higher tax or exaction, including any unreasonable fee or charge. This report includes any bill that imposes or authorizes higher taxes or tax-like “fees,” as well as any bill that increases a regulatory and/or license fee, user charge, or other charge for receiving a specific government service or benefit. Legislation imposing fines, penalties and other costs for violating state or local laws is not included. This report also excludes legislation estimated to generate less than \$1 million per year in net revenue.

Revenue estimates were taken from legislative committee and floor analyses, and analyses from the state tax agencies. When an estimate had not been prepared for a bill, the California Tax Foundation used recent data from prior legislative or agency analyses of similar legislation. When estimates provided a revenue range, the lowest figure in the range was used to calculate a revenue total. Bills imposing identical taxes or fees are included in this report but were counted only once for purposes of calculating a revenue total.

For “spot” bills that contain placeholder language intending to impose a tax or fee, but do not yet have detailed language, the California Tax Foundation used revenue estimates from previous comparable proposals or available economic studies. Once the proposals are amended, the revenue estimates may change.



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