

Revenue and Taxation Policy Committee

April 2, 2020

Housekeeping Items

This webinar is being recorded.

All phone lines have been muted.

We will be using the Webex polling feature today to vote on motions. Please be aware that you will be unable to change your answer once you hit submit, so make sure you are certain of your answer before doing so.

If you experience technical difficulties during this webinar, please email education@cacities.org.

How to ask a question or make a comment?

To ask a question, please “raise your hand” by clicking on the small hand icon under the list of panelists. Once your question is answered, please click the hand again to lower your hand

When you are called upon, please say your name, title and city.



Welcome

Chair, Olivia Valentine, Councilmember, City of Hawthorne

Vice Chair, Lisa Middleton, Councilmember, City of Palm Springs

Public Comment

General Briefing

Nick Romo, Legislative Representative, League of California Cities

Highlights

- Housing
- Governance, Transparency & Labor Relations
- Revenue & Taxation

COVID-19 Update & City Fiscal Challenges Discussion

Overview

- COVID-19 League Resources
- Legislative Deadlines and Priorities
- 2020 California State Budget Outlook
- Federal Relief and Stimulus Bills
- Discussion

COVID-19 League Resources and Advocacy

League Efforts and Resources for Cities:

- COVID-19 dedicated webpage and email
 - www.cacities.org/coronavirus
 - covid-19@cacities.org
- Daily COVID-19 updates via email
- Webinar series on the impacts of COVID-19
 - www.cacities.org/Education-Events/Webinars

Statewide and Federal Partnerships:

- Collaborating with Governor's Office of Emergency Services (Cal OES) and Governor's Office
 - Statutory and regulatory waivers and relief
 - Funding needs
- Working with National League of Cities and League's federal lobbying team on federal legislation and resource needs

Legislative Deadline and Priorities

- California State Legislature on recess from March 20 until April 13
 - Likely to extend through April or longer
- Legislative Deadlines:
 - June 15 – State Budget must be passed by Legislature at midnight
 - July 1 – Governor must sign or veto the State Budget
 - August 31 – End of regular session
 - Sept 30 – Legislation must be signed or vetoed by Governor
 - Nov 30 – Regular session sine die
- Potential Legislative Priorities:
 - COVID-19 response and recovery
 - Homelessness and housing
 - Wildfires/PG&E bankruptcy

2020 California State Budget Outlook

State budget process will be significantly altered:

- Asm. Budget Chair told legislators to lower their expectations on budget outlook to reflect the new reality.
- Budget committee hearings are on hold; most likely have a streamlined budget process this year.
- Budget likely to be barebones - maintaining current levels of State funding, but with little to no additional spending.
- \$1.1 billion in [SB 89](#) funds to support the State's COVID-19 response.
- \$1.3 billion from the Special Fund for Economic Uncertainties for COVID-19 response.

Federal Relief and Stimulus Bills

Federal Bills:

- Bill #1 - [Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020](#)
 - \$7.8 billion package, plus a \$500 million authorization to enhance telehealth services, will give resources to prepare, prevent and respond to the crisis, including vaccine development, support for state and local governments' prevention and response efforts, and the purchase of critical medical supplies to protect public health and safety.
- Bill #2 – [H.R. 6201 Families First Coronavirus Response Act](#)
 - Guarantees free coronavirus testing, establishes paid leave, enhances Unemployment Insurance, expands food security initiatives, and increases federal Medicaid funding.
- Bill #3 - [The CARES Act](#)
 - \$2 trillion emergency package intended to stave off total economic collapse in the wake of the coronavirus crisis.
 - \$139 billion is reserved to be distributed between states and units of local government.
- Potential 4th Stimulus Bill
 - Talked about in the House of Representatives.
 - League working with federal team on potential requests.
 - Details forthcoming.

City Fiscal Challenges Discussion

Discussion Questions:

- What is the biggest fiscal challenge for your city's ability to respond to/recover from COVID-19?
- What form of relief or financial assistance would you say cities need to continue responding to the COVID-19 crisis?
 - Short term?
 - Longer term?



COVID-19 Questions?

Website: www.cacities.org/coronavirus

Email: covid-19@cacities.org

Legislative Update

Nick Romo, Legislative Representative, League of California Cities

Revenue and Taxation

AB 2330 (Nazarian) State Board of Equalization: Franchise Tax Board: Office of Tax Appeals: transfer of duties.

This bill, beginning January 1, 2023, would vest the powers, duties, and responsibilities of the Board of Equalization related to the administration of taxes imposed on property in the Franchise Tax Board.

- **League Position:** Watch (Additional research + Author fact sheet needed)
- **Status:** Assembly Revenue and Taxation

AB 2570 (Stone) False Claims Act.

This bill would expand the scope of the California False Claims Act (CFCA) to apply to tax fraud cases under the revenue and taxation code, giving state and local government an additional tool to recover owed taxes.

- **League Position:** Pending Support
- **Status:** Assembly Judiciary

Revenue and Taxation

AB 3009 (Mullin) Redevelopment: successor agencies: administrative cost allowance.

This bill would change the formula for calculating a successor agency's administrative cost allowance by providing that the administrative cost allowance shall be up to 3% of the actual property tax the department *authorized* in the preceding fiscal year for payment of approved enforceable obligations, prior to any reductions made.

- **League Position:** Watch (Discuss w/ Committee)
- **Status:** Assembly Local Government

AB 3124 (Lackey) Sales and Use Tax: medicinal cannabis.

This bill would allow a valid physician's recommendation to suffice, in lieu of a county issued medical card, to receive a sales and use tax exemption on the purchase of medicinal cannabis.

- **League Position:** Watch (Collaborate with Public Safety Committee)
- **Status:** Assembly Judiciary

Revenue and Taxation

AB 3235 (Chu) Short-term lodging rates.

This bill would prohibit a place of short-term lodging from advertising a room rate that does not include all required fees.

- Currently excludes taxes and fees imposed by a local government or the state.
- **League Position:** Watch (Discuss w/ author)
- **Status:** Assembly Desk

SB 952 (Nielsen) Sales and Use Tax: exemption: backup electrical resources: de-energization events.

This bill would provide a sales and use tax exemption *to local governments* for a backup electrical resource that is purchased for exclusive use by a city, county, special district, or other entity of local government during de-energization events (ex. power shut offs).

- **League Position:** Watch (Working w/ author)
- **Status:** Senate Governance and Finance

Revenue and Taxation

SB 998 (Moorlach) Local government: investments.

This bill raises the commercial paper portfolio concentration limit to 40% for cities and special districts with \$100 million or more in investment assets (similar to San Francisco and Los Angeles).

League Position: Watch (Discuss w/ author and finance officers)

Status: Senate Governance and Finance

SB 1072 (McGuire) Local agencies: transient occupancy taxes: online short-term rental facilitator.

This bill would authorize the *option* for a city or county to enact an ordinance exclusively delegating its authority to collect any transient occupancy tax (TOT) imposed by that local agency on short-term rentals to the California Department of Tax and Fee Administration and to enter into a contract with the department to perform all functions incident to the collection and administration of any transient occupancy tax imposed on a short-term rental.

- **League Position:** Watch (Discuss w/ Committee)
- **Status:** Senate Governance and Finance

Revenue and Taxation

SB 1072 (McGuire) Local agencies: transient occupancy taxes: online short-term rental facilitator.

Intent:

- Improve collection of local transient occupancy taxes (TOT) from short-term rentals (ex. Airbnb, VRBO).
- Support smaller, under-resourced cities and communities with short-term rental TOT collection efforts.
- Simplify collection, modeled after Marketplace Facilitator provisions of *Wayfair* implementation (out-of-state online sales), through the California Department of Tax and Fee Administration (CDTFA).
- No intent to alter local ordinances or enforcement.

Revenue and Taxation

SB 1072 (McGuire) Local agencies: transient occupancy taxes: online short-term rental facilitator.

Key Provisions:

- On/after January 1, 2021, allows cities to 'opt-in' to allow CDTFA to collect local TOT from short term rentals directly.
 - Provides procedures for cities which adopt new or changes to locally adopted TOT
 - Allows cities to opt-out of program for any reason
- Provides limited and ambiguous audit authority to CDTFA
 - Limited to verification that short term rental platforms 'comply'
 - Cities may request data from CDTFA
- Requires 'short-term rental facilitators' (short term rental companies) to register with CDTFA
- Requires short-term rental facilitators to collect TOT from purchasers and send to CDTFA

Revenue and Taxation

SB 1072 (McGuire) Local agencies: transient occupancy taxes: online short-term rental facilitator.

Issues:

- Imprecise and incomplete application/collection of local taxes by platforms
- Insufficient data sharing does not provide proper audit controls – for CDTFA or cities.
- Potentially high administrative costs.
- Bifurcated local/state TOT collection issues (hotels/short term rentals).
- Broader concern of providing legitimacy to otherwise noncompliant or unauthorized short-term rental units.

Questions:

- Would an optional collection program be helpful?
- If so, what protections would you like to see?

Proposed Staff Next Steps:

- Take feedback to author.
- Discuss issues with CDTFA.
- If legislative movement (and where possible) work within existing League policy, past advocacy efforts to improve the measure.
- Ultimately, bring back to this committee for action in June.

Revenue and Taxation

SB 1389 (Allen) Public Investment Authorities (aka Enhanced Infrastructure Financing Districts (EIFDs)).

This bill enacts significant changes, including a renaming, of the existing Enhanced Infrastructure Financing District (EIFD) law. This bill also provides explicit authorization for the financial and governance participation of educational institutions and the State of California in the authority.

- **League Position:** Watch (Collaborate w/ HCED policy committee)
- **Status:** Senate Governance and Finance

SB 1441 (McGuire) UUT Prepaid Mobile Telephony Collection.

This bill would extend operation of the local prepaid Mobile Telephony Services (MTS) act indefinitely providing for the collection of local utility user tax (UUT) collection on mobile telephony services. 104 cities and counties benefit from this program, which has generated approximately \$24 million since its inception.

- **League Position:** Pending Support
- **Status:** Senate Governance and Finance

Housing & Homelessness Update

Jason Rhine, Assistant Legislative Director, League of California Cities

Thank you!

Next Meeting: Thursday, June 4,
So. San Francisco Conference Center,
255 S. Airport Blvd, South San Francisco*

(*subject to change)