

# ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Leno Analyst: William Koch Bill Number: SB 1492

Related Bills: See Legislative History Telephone: 845-4372 Amended Date: April 9, 2012

Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** City & County Of San Francisco Voter-Approved Local Vehicle License Fee/FTB & DMV Develop Reporting Process That Enables DMV To Report To FTB Data To Prepare Estimate Of Revenue Loss/FTB Report To DMV Amount Of Revenue Loss Incurred By The State Due To Deductibility Of Fee

## SUMMARY

This bill would require the Franchise Tax Board (FTB) to report to the Department of Motor Vehicles (DMV) the estimated revenue loss as a result of deductions taken by residents of the City and County of San Francisco due to the passage of a voter-approved local vehicle assessment.

This bill also contains provisions for the imposition of a City and County of San Francisco voter-approved local assessment that do not impact the FTB and is not discussed in this analysis.

## RECOMMENDATION

No position.

## Summary of Amendments

The April 9, 2012, amendments deleted spot bill language in the bill and inserted the provisions discussed in this analysis.

## REASON FOR THE BILL

It appears the purpose of this bill is to give the voters of the City and County of San Francisco options to increase funding for public services.

## EFFECTIVE/OPERATIVE DATE

This bill would become effective January 1, 2013, and would become operative as specified when a majority of residents of the City and County of San Francisco approve an ordinance passed by the board of supervisors imposing the assessment. If the election in which the ordinance receives voter approval occurs between January 1 and June 30, the bill would be operative the following January 1. If the election in which the ordinance receives voter approval occurs between July 1 and December 31, the bill would be operative on the following July 1.

Board Position:			
<input type="checkbox"/> S	<input type="checkbox"/> NA	<input checked="" type="checkbox"/> NP	
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR	
<input type="checkbox"/> N	<input type="checkbox"/> OUA		

Executive Officer	Date
Selvi Stanislaus	4/17/12

## **ANALYSIS**

### FEDERAL/STATE LAW

Existing federal and state laws allow individuals to deduct certain expenses, such as medical expenses, charitable contributions, mortgage interest, and certain state or local taxes paid as itemized deductions. A vehicle license fee (VLF) imposed by a state or local entity is considered a personal property tax that can be deductible as an itemized deduction. For business entities, the VLF can be deducted as a business expense for vehicles used in the business.

### THIS BILL

This bill would enact the Local Assessment Act, which would authorize the City and County of San Francisco, to impose on its residents, upon voter approval, a local assessment on specified vehicles. The City and County of San Francisco board of supervisors would be required to transmit a certified copy of the voter-approved ordinance to the FTB.

This bill would require that on or before January 1 of the second year after the assessment is imposed, and annually thereafter, the FTB must report to the DMV an estimate of the revenue loss to the state for the prior year resulting from deductions taken under the Personal Income Tax Law and the Corporation Tax Law for taxes paid or incurred as a result of the assessment. This bill would require the DMV and the FTB to coordinate a reporting process for the FTB to obtain this information from the DMV to assist the FTB in the calculation of the estimate of revenue losses to the state from taxpayers deducting the additional fee on their income tax returns.

### IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department's programs or operations.

## **LEGISLATIVE HISTORY**

SB 223 (Leno, Vetoed, 2011/2012) was similar to this bill. In his veto message, Governor Brown stated a broader revenue solution to the state's fiscal crisis should be pursued instead of an approach limited to one city.

SB 10 (Leno, 2009/2010) was similar to this bill. SB 10 failed to pass out of the Assembly.

AB 1590 (Leno, 2007/2008) was similar to this bill. AB 1590 was held in the Senate Revenue and Taxation Committee.

AB 799 (Leno, Vetoed, 2005/2006) was similar to this bill. AB 799 was vetoed by Governor Schwarzenegger who viewed it as an unfair burden on motorists.

AB 1208 (Yee, Vetoed, 2005/2006) was similar to this bill. AB 1208 was vetoed by Governor Schwarzenegger who indicated that he believed fees should only be added with voter approval.

AB 1187 (Leno, 2003/2004) was similar to this bill. AB 1187 failed passage out of the Assembly Appropriations Committee.

## OTHER STATES' INFORMATION

The states reviewed include *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York*. These states were selected due to their similarities to California's economy, business entity types, and tax laws. No comparable statutes with respect to a local vehicle license fee in these states were found.

## FISCAL IMPACT

The department's costs to implement this bill are expected to be minor.

## ECONOMIC IMPACT

### Revenue Estimate

Estimated Revenue Impact of SB 1492, as Amended April 9, 2012 Effective January 1, 2013 Assumed Operative for Local Vehicle License Fees Imposed On or After July 1, 2014 Enactment Assumed After June 30, 2012 (\$ in Millions)				
2012-13	2013-14	2014-15	2015-16	2016-17
No Impact	No Impact	-2.7	-1.6	-0.2

This estimate does not account for changes in employment, personal income, or gross state product that could result from this bill.

Estimates assume the City and County of San Francisco would begin imposing the maximum local VLF on July 1, 2014. Based on this assumption, the proposed local fee would begin to be deducted on the 2014 tax returns that are filed in 2015.

## SUPPORT/OPPOSITION

Support: None reported.

Opposition: None reported.

## **ARGUMENTS**

Proponents: Some people could say that placing the option to increase fees in the hands of local government allows the citizens to determine the priority and importance of local services that would be funded by the additional fees.

Opponents: Some people could say it is inequitable to assess fees on the City and County of San Francisco residents when nonresidents use the roads and bridges that the fees may be designated to support.

## **LEGISLATIVE STAFF CONTACT**

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