

BILL ANALYSIS

Department, Board, Or Commission	Author	Bill Number
Franchise Tax Board	Leno	SB 1492

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 Or Controller Estimate Of 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), or the Controller as specified, 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 vehicle assessment that do not impact the FTB and are not discussed in detail in this analysis.

REASON FOR BILL

The reason for 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.

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.

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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.

On or before January 1 of the year that follows a year, or portion thereof, in which a local assessment is imposed, and annually thereafter, this bill would require the FTB to report to the DMV an estimate of the revenue loss to the state that is expected to occur in the next calendar year, for a report given before January 1, or the current calendar year, for a report given on January 1, from deductions taken under the Personal Income Tax Law and the Corporation Tax Law for taxes paid or incurred as a result of the local assessment. On or before January 1 of the second year that follows a year, or portion thereof, in which a local assessment is imposed, and annually thereafter, the FTB would be required to report to the DMV a revision of the previous estimate based on actual filings and returns. In the case of a revision made by the FTB on or after January 1 following the inoperation or repeal of a local assessment, the FTB would be required to report the revision to the Controller instead of the DMV.

In addition, this bill would require the DMV and the FTB to coordinate a reporting process for the FTB to obtain information from the DMV to assist the FTB in the calculation of the estimated revenue loss to the state from taxpayers deducting the additional fee on their income tax returns.

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

Under this bill, the FTB would identify the amount of the estimated General Fund loss due to the additional VLF deductions. If the appropriation authority in this bill provides for the reimbursement of the General Fund from the San Francisco Vehicle Assessment Fund in the same fiscal year revenue loss is incurred by the state, there would be no revenue impact to the General Fund.

APPOINTMENTS

None.

SUPPORT/OPPOSITION¹

Support: San Francisco Chamber of Commerce (source)
City and County of San Francisco

Opposition: California New Dealers Car Association
California Taxpayer's Association

VOTES

Concurrence	08/29/12	Y: 21	N: 14
Assembly Floor	08/27/12	Y: 46	N: 29
Senate Floor	05/29/12	Y: 22	N: 16

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¹ As indicated in the August 27, 2012, Senate Floor analysis located at:
http://www.leginfo.ca.gov/pub/11-12/bill/sen/sb_1451-1500/sb_1492_cfa_20120828_204935_sen_floor.html