



Bill Analysis

Author: Gipson

Sponsor:

Bill Number: AB 1199

Related Bills: See Legislative
History

Introduced: February 18, 2021
Amended: April 5, 2021

SUBJECT

Homes for Families and Corporate Monopoly Transparency Excise Tax

SUMMARY

Under the Government Code (GC) and the Revenue and Taxation Code (RTC), this bill would impose an annual excise tax for renting or leasing out qualified property in California equal to 25 percent of the gross receipts of the qualified taxpayer that are derived from rental income, and require disclosure and publication of the identity of beneficial owners of that property.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The April 5, 2021, amendments, among other changes, added provisions to the bill related to the GC and the RTC discussed in this analysis.

This is the department's first analysis of the bill and only addresses the provisions of the bill that impact the department.

REASON FOR THE BILL

The reason for the bill is to create opportunities for first-time home buyers and working families to own homes and build generational wealth.

ANALYSIS

This bill would impose a 25 percent excise tax upon a qualified taxpayer for the privilege of renting or leasing out qualified property in this state. This excise tax would be at a rate of 25 percent of the gross receipts of the qualified taxpayer that are derived from rental income. This excise tax would be administered by the California Department of Tax and Fee Administration (CDTFA).

The bill states that it is the intent of the Legislature that the Franchise Tax Board (FTB), CDTFA, and the Secretary of State (SOS) coordinate so that residents know who their landlords are, communities know who owns property in their neighborhoods, and large corporate landlords are taxed in accordance with this legislation.

Effective/Operative Date

As an urgency measure, this bill would be effective and operative immediately upon enactment.

Federal/State Law

Excise tax is typically imposed on the privilege of engaging in specific activities or transactions, for example the importation, sale by a manufacturer, sale by a retailer, or use of goods by a manufacturer or consumer.

Under current federal law, there are numerous different excise taxes. Excise taxes are taxes that are imposed on specific activities or transactions, such as the removal, entry, or sale of various goods such as tires, fuel, heavy trucks, and highway tractors.

State law, also contains numerous different excise taxes on the privilege of engaging in specific activities in this state with respect to various items such as cannabis, automotive fuel, and cigarettes and tobacco. In California, excise taxes are administered by the CDTFA. The FTB does not administer excise taxes.

Implementation Considerations

The department has identified the following implementation consideration, and is available to work with the author's office to resolve these and other considerations that may be identified.

The FTB, does not administer excise taxes. However, in the intent section of this legislation, the bill states that it is the "intent of the Legislature that the CDTFA, the FTB, and the SOS coordinate activities as appropriate so that residents know who their landlords are, so that communities know who owns property in their neighborhoods, and so that large corporate landlords are taxed according to the provisions of this act." If this is the author's intent, the bill should be amended to clarify if FTB's role would be the disclosure of tax information or information collected on tax forms.

Technical Considerations

For consistency of terminology, the following change is recommended:

- For GC 12280 (a)(2) the term "calender" should be replaced with "calendar".

Policy Considerations

None Noted.

LEGISLATIVE HISTORY

AB 1435 (Carrillo, 2021/2022), would establish an excise tax upon purchasers of non-cannabis cannabinoids sold in the state. AB 1435 is currently referred to the Assembly Committee on Revenue and Taxation.

SB 395 (Caballero, 2021/2022), would impose an excise tax on distributors of cigarettes and on distributors of tobacco products. SB 395 has been referred to the Senate Committee on Appropriations.

AB 2663 (Garcia, Chapter 117, Statutes of 2020) set the state excise tax on dimethyl ether-liquefied petroleum gas fuel blend and dimethyl ether at the rate of \$0.06 for each gallon used.

AB 18 (Levine, Bonta, & Nazarian, 2019/2020) would have imposed an excise tax on a retailer per firearm on the sale in this state of a handgun or semiautomatic rifle or shotgun. AB 18 did not pass out of the Assembly by the constitutional deadline.

FISCAL IMPACT

The department's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be identified.

ECONOMIC IMPACT

Revenue Estimate

This bill as amended April 5, 2021, would not impact state income or franchise tax revenue.

LEGAL IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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