

Assembly Bill No. 984

CHAPTER 592

An act to add and repeal Section 6368.8 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

[Approved by Governor October 7, 2001. Filed with
Secretary of State October 9, 2001.]

LEGISLATIVE COUNSEL'S DIGEST

AB 984, Papan. Sales and use taxes: exemptions: sales and leasebacks of public passenger transportation vehicles.

The Sales and Use Tax Law imposes a tax on the gross receipts from the sale in this state of, or the storage, use, or other consumption in this state of, tangible personal property. That law provides various exemptions from that tax, including an exemption for sales and leasebacks of passenger transportation vehicles to the Department of Transportation.

This bill would, until January 1, 2004, exempt specified sales and leasebacks of qualified equipment, as defined, used in the provision of public transportation services. This bill would also exempt purchases of leased or subleased qualified equipment purchased by a qualified person, as defined, at the end of the term of the lease or sublease.

This bill would require the Legislative Analyst, in consultation with the State Board of Equalization and the Franchise Tax Board, to conduct a study and submit a report to the Legislature on the impact of this exemption by January 1, 2003. This bill would require the report to include a recommendation as to whether the exemption should be extended beyond the January 1, 2004 sunset date.

Counties and cities are authorized to impose local sales and use taxes in conformity with state sales and use taxes. Exemptions from state sales and use taxes enacted by the Legislature are incorporated into the local taxes.

Section 2230 of the Revenue and Taxation Code provides that the state will reimburse counties and cities for revenue losses caused by the enactment of sales and use tax exemptions.

This bill would provide that, notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for sales and use tax revenues lost by them pursuant to this bill.

This bill would take effect immediately as a tax levy, but its operative date would depend on its effective date.

The people of the State of California do enact as follows:

SECTION 1. Section 6368.8 is added to the Revenue and Taxation Code, to read:

6368.8. (a) There are exempted from the taxes imposed by this part, the gross receipts from the sale in this state of, and the storage, use, or other consumption in this state of, qualified equipment, provided all of the following conditions are satisfied:

(1) The qualified equipment is sold or leased by a qualified person.

(2) The qualified person has paid sales tax reimbursement or use tax with respect to the qualified person's purchase or acquisition of the qualified equipment.

(3) The qualified equipment is sold or leased by the qualified person and the qualified equipment is leased back to the qualified person.

(b) For purposes of this section:

(1) "Qualified person" means an entity that qualifies as a claimant, as defined in Section 99203 of the Public Utilities Code, eligible to receive allocations under the Transportation Development Act (commencing with Section 99200 of the Public Utilities Code).

(2) "Qualified equipment" means a vehicle or vessel and any related equipment used in the provision of public transportation services, including, but not limited to, bus and van fleets, ferry boats, rail passenger cars, locomotives, other rail vehicles, train control equipment, fare collection equipment, communication systems, global positioning systems, and other systems and accessories related to the operation of a vehicle or vessel used in the provision of public transportation services.

(c) The exemption provided by this section also applies to subsequent purchases of qualified equipment by a qualified person at the end of the term of a lease or sublease of qualified equipment, provided the provisions of paragraphs (1), (2), and (3) of subdivision (a) are met.

(d) The Legislative Analyst, in consultation with the State Board of Equalization and the Franchise Tax Board, shall conduct a study on the impact of the exemption authorized under this section and shall report to the Legislature, by January 1, 2003, on the following:

(1) The number of persons utilizing the exemption.

(2) The fiscal impact of the exemption, including the total exemption amount and any depreciation claimed for qualified equipment.

(3) The impact, if any, of federal law, including, but not limited to, Revenue Ruling 99-14, on the utilization of the exemption.

(4) The impact of the exemption on California's public transit sector.

(5) A recommendation as to whether the exemption should be extended beyond the January 1, 2004 expiration date, and if it is recommended that the exemption should be extended, recommendations



on modifications to the existing exemption provisions that should be implemented.

(e) This section shall remain in effect only until January 1, 2004, and as of that date is repealed.

SEC. 2. Notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made by this act and the state shall not reimburse any local agency for any sales and use tax revenues lost by it under this act.

SEC. 3. This act provides for a tax levy within the meaning of Article IV of the Constitution and shall go into immediate effect. However, the provisions of this act shall become operative on the first day of the first calendar month commencing more than 15 days after the effective date of this act.

