

AMENDED IN SENATE FEBRUARY 14, 2001

SENATE BILL

No. 22

Introduced by Senators Dunn and McClintock

(Coauthors: Senators Ackerman, Alpert, Costa, Haynes, Johannessen, Johnson, Knight, Machado, Margett, Monteith, Morrow, Oller, and Scott)

(Coauthors: Assembly Members Aanestad, Ashburn, Bates, Bill Campbell, John Campbell, Cogdill, Daucher, Dickerson, Harman, Hollingsworth, Kehoe, Leach, Leslie, Maddox, Matthews, Pescetti, Richman, Runner, Strickland, and Wyman)

December 4, 2000

An act to amend Sections 10754 and 10903 of, and to repeal Section 10754.2 of, the Revenue and Taxation Code, relating to taxation, and making an appropriation therefor, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 22, as amended, Dunn. Vehicle license fee offsets.

The Vehicle License Fee (VLF) Law establishes, in lieu of any ad valorem property tax upon vehicles, an annual license fee for any vehicle subject to registration in this state in the amount of 2% of the market value of that vehicle, as specified. The VLF Law permanently offsets the amount of the vehicle license fee for each subject vehicle by 25% and, for vehicle license fees with a final due date in the 2000 calendar year, offsets the fee amount for each subject vehicle by 35%. The VLF law also provides, depending upon factors that include whether forecasted General Fund revenues for certain fiscal years are within certain revenue target ranges, for a superseding offset percentage of 35%, 46.5%, 55%, or 67.5% to apply to specified future calendar years. The VLF law requires the Department of Finance, in any of

certain fiscal years for which that department estimates a cumulative General Fund reduction of more than \$100,000,000 as a result of state tax law changes on or after January 1, 1999, to apply that cumulative reduction, in accordance with a specified formula, to reduce target revenue ranges and to proportionately reduce the percentage amounts of superseding vehicle license fee offsets.

Notwithstanding those provisions, the Vehicle License Fee Law provides for a minimum vehicle license fee offset of 35% in 2001 and 2002, an additional offset in those same years, in a form of a rebate determined in accordance with a specified calculation, that results in a combined offset of 67.5%, and a single vehicle license fee offset of 67.5% for 2003 and each year thereafter.

This bill would, as of July 1, 2001, eliminate provisions for an additional vehicle license fee offset in the form of a rebate. This bill would also establish, without condition or modification, a single vehicle license fee offset of 67.5% for vehicle license fees with a final due date on or after July 1, 2001. This bill would, among other conforming changes to associated provisions, make an appropriation by requiring that a portion of those moneys, appropriated by current law for the payment of additional vehicle license fee offsets, be instead expended, as provided, for reimbursement of local agency revenue losses resulting from vehicle license fee offsets.

This bill would take effect immediately as a tax levy, *but would become operative, as provided, on July 1, 2001.*

Vote: ²/₃. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

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

1 SECTION 1. Section 10754 of the Revenue and Taxation
 2 Code is amended to read:
 3 10754. (a) Notwithstanding any other provision of law, the
 4 total amount of the vehicle license fee otherwise required with
 5 respect to a vehicle shall be offset in accordance with those
 6 provisions set forth below that are operative pursuant to
 7 subdivision (b):
 8 (1) (A) For any initial or original registration of any vehicle,
 9 never before registered in this state, for which the final due date
 10 for the license fee is on or after January 1 of any calendar year for
 11 which this paragraph is operative, and for any renewal of



1 registration with an expiration date on or after January 1 of any
2 calendar year for which this paragraph is operative, the department
3 shall offset the total amount of fees otherwise due at the time of
4 registration of that vehicle by an amount equal to 25 percent of the
5 amount computed pursuant to Section 10752 or 10752.1, or
6 Section 18115 of the Health and Safety Code.

7 (B) Upon proper payment of license fees to the Department of
8 Motor Vehicles, the amount of the offset for each vehicle shall be
9 transferred into the Motor Vehicle License Fee Account in the
10 Transportation Tax Fund, and into the Local Revenue Fund,
11 pursuant to Section 11000 or Section 11000.1, as applicable.

12 (C) During any period in which insufficient moneys are
13 available to be transferred from the General Fund to fully fund the
14 offsets required by subparagraph (A), within 90 days of a
15 reduction of funding, the department shall reduce the amount of
16 each offset computed pursuant to that subparagraph by
17 multiplying that amount by the ratio of the amount of moneys
18 actually available to be transferred from the General Fund to pay
19 for those offsets to the amount of moneys that is necessary to fully
20 fund those offsets.

21 (2) (A) For any initial or original registration of any vehicle,
22 never before registered in this state, for which the final due date
23 for the license fee is on or after January 1 of any calendar year for
24 which this paragraph is operative, and for any renewal of
25 registration with an expiration date on or after January 1 of any
26 calendar year for which this paragraph is operative, the department
27 shall offset the total amount of fees otherwise due at the time of
28 registration of that vehicle by an amount equal to 35 percent~~to~~ of
29 the amount computed pursuant to Section 10752 or 10752.1, or
30 Section 18115 of the Health and Safety Code.

31 (B) Upon proper payment of license fees to the Department of
32 Motor Vehicles, the amount of the offset for each vehicle shall be
33 transferred into the Motor Vehicle License Fee Account in the
34 Transportation Tax Fund, and into the Local Revenue Fund,
35 pursuant to Section 11000 or Section 11000.1, as applicable.

36 (C) During any period in which insufficient moneys are
37 available to be transferred from the General Fund to fully fund the
38 offsets required by subparagraph (A), within 90 days of a
39 reduction of funding, the department shall reduce the amount of
40 each offset computed pursuant to that subparagraph by



1 multiplying that amount by the ratio of the amount of moneys
2 actually available to be transferred from the General Fund to pay
3 for those offsets to the amount of moneys that is necessary to fully
4 fund those offsets.

5 (3) (A) For any initial or original registration of any vehicle,
6 never before registered in this state, for which the final due date
7 for the license fee is on or after January 1 of any calendar year for
8 which this paragraph is operative, and for any renewal of
9 registration with an expiration date on or after January 1 of any
10 calendar year for which this paragraph is operative, the department
11 shall offset the total amount of fees otherwise due at the time of
12 registration of that vehicle by an amount equal to 67¹/₂ percent of
13 the amount computed pursuant to Section 10752 or 10752.1, or
14 Section 18115 of the Health and Safety Code.

15 (B) Upon proper payment of license fees to the Department of
16 Motor Vehicles, the amount of the offset for each vehicle shall be
17 transferred into the Motor Vehicle License Fee Account in the
18 Transportation Tax Fund, and into the Local Revenue Fund,
19 pursuant to Section 11000 or Section 11000.1, as applicable.

20 (C) During any period in which insufficient moneys are
21 available to be transferred from the General Fund to fully fund the
22 offsets required by subparagraph (A), within 90 days of a
23 reduction in funding, the department shall reduce the amount of
24 each offset computed pursuant to that subparagraph by
25 multiplying that amount by the ratio of the amount of moneys
26 actually available to be transferred from the General Fund to pay
27 for those offsets to the amount of moneys that is necessary to fully
28 fund those offsets.

29 (b) The offset provisions set forth in subdivision (a) shall be
30 operative as provided by the following:

31 (1) Paragraph (1) of subdivision (a) shall be operative for
32 vehicle license fees with a final due date in the calendar year
33 beginning on January 1, 1999.

34 (2) Paragraph (2) of subdivision (a) shall be operative for
35 vehicle license fees with a final due date on or after January 1,
36 2000, and before July 1, 2001.

37 (3) Paragraph (3) of subdivision (a) shall be operative for
38 vehicle license fees with a final due date on or after July 1, 2001.

39 (c) (1) For purposes of this section, “department” means the
40 Department of Motor Vehicles with respect to a vehicle license fee



1 offset for a vehicle subject to registration under the Vehicle Code,
2 and the Department of Housing and Community Development
3 with respect to a vehicle license fee offset for a manufactured
4 home, mobilehome, or commercial coach described in Section
5 18115 of the Health and Safety Code.

6 (2) For purposes of this section, the “final due date” for a
7 license fee is the last date upon which that fee may be paid without
8 being delinquent.

9 SEC. 2. Section 10754.2 of the Revenue and Taxation Code,
10 as added by Section 12 of Chapter 91 of the Statutes of 2000, is
11 repealed.

12 SEC. 3. Section 10754.2 of the Revenue and Taxation Code,
13 as amended by Section 2 of Chapter 107 of the Statutes of 2000,
14 is repealed.

15 SEC. 4. Section 10903 of the Revenue and Taxation Code is
16 amended to read:

17 10903. (a) Notwithstanding Section 13340 of the
18 Government Code, there is hereby appropriated from the General
19 Fund the sum of two billion fifty-two million dollars
20 (\$2,052,000,000) for transfer by the Controller, upon notification
21 by the Director of Finance during the 2000–01 fiscal year, to the
22 Special Reserve Fund for Vehicle License Fee Tax Relief, which
23 is hereby created as a special fund. The amounts appropriated by
24 this subdivision for transfer to the Special Reserve Fund for
25 Vehicle License Fee Tax Relief shall be expended as follows:

26 (1) Eight hundred and eighty-seven million dollars
27 (\$887,000,000) for the payment of additional vehicle license fee
28 offsets for the 2000–01 fiscal year.

29 (2) One billion one hundred sixty-five million dollars
30 (\$1,165,000,000) for the payment of additional vehicle license fee
31 offsets for the funding of those transfers required by subdivision
32 (a) of Section 11000 for the 2001–02 fiscal year.

33 (b) The Department of Motor Vehicles shall provide both of the
34 following notices to the Controller in connection with each
35 monthly report pursuant to Section 10754.2 of additional vehicle
36 license fee offsets calculated by that department pursuant to that
37 section:

38 (1) A notice for each month of the total dollar amount of the
39 additional vehicle license fee offsets calculated by the department
40 during that month pursuant to Section 10754.2.



1 (2) A notice of the total dollar amount of the additional vehicle
2 license fee offsets calculated by the department pursuant to
3 Section 10754.2 for the calendar year to the date of each monthly
4 report provided pursuant to Section 10754.2.

5 SEC. 5. This act provides for a tax levy within the meaning of
6 Article IV of the Constitution and shall go into immediate effect.
7 However, this act shall become operative on July 1, 2001, *except*
8 *that the additional vehicle license fee offset established by Section*
9 *10754.2 of the Revenue and Taxation Code, as amended by Section*
10 *2 of Chapter 107 of the Statutes of 2000, shall continue to be*
11 *operative on or after July 1, 2001, with respect to those vehicle*
12 *license fees with a final due date in June of 2001, for which*
13 *payment is not made until July of 2001.*

