

SENATE BILL

No. 10

Introduced by Senator Sher

(Principal coauthor: Assembly Member Longville)

(Coauthors: Senators Scott and Torlakson)

(Coauthor: Assembly Member Aroner)

March 6, 2002

An act to amend Section 6357.1 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

SB 10, as introduced, Sher. Sales and use taxes: exemption: diesel.

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 diesel fuel used in farming activities and food processing.

This bill would clarify, for purposes of the diesel fuel sales and use tax exemption, the definition of farming activities. This bill would also make legislative findings and declarations relating to the state budget.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

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

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) California is currently experiencing a budgetary crisis of
- 4 historical proportions.

1 (b) The Public Transportation Account, which is funded
2 annually through the budget process, is the only dedicated fund
3 source for transit operating and capital expenses. One-half of the
4 revenues generated in the Public Transportation Account are used
5 to support the State Transit Assistance program that funds over 100
6 public transit operators throughout California.

7 (c) The State Transit Assistance program is the only source of
8 dedicated state transportation funds that may be used for transit
9 operating support and, as such, is critical to maintaining existing
10 levels of transit service in both rural and urban areas.

11 (d) Failure to adequately fund the Public Transportation
12 Account may require additional General Fund support for that
13 account which in turn will impair the Legislature's ability to enact
14 additional General Fund reductions to ensure a balanced state
15 budget.

16 SEC. 2. Section 6357.1 of the Revenue and Taxation Code is
17 amended to read:

18 6357.1. (a) There are exempted from the taxes imposed by
19 this part, the gross receipts from the sale in this state of, and the
20 storage, use, or other consumption in this state of, diesel fuel used
21 in farming activities and food processing. This section shall be
22 implemented as soon as possible, but in no case later than
23 September 1, 2001.

24 (b) For purposes of this section, ~~“farming section:~~

25 (1) “*Farming activities*” has the same meaning as “farming
26 business” as set forth in Section 263A of the Internal Revenue
27 Code. “Farming activities” also includes the transportation and
28 delivery of farm products to the marketplace, *whether that*
29 *transportation and delivery is made by a person directly engaged*
30 *in a “farming business” as set forth in Section 263A of the Internal*
31 *Revenue Code, or by that person’s agent.*

32 (2) “*Marketplace*” means the first place at which both of the
33 following conditions are met:

34 (A) *Title to the farm products has been or is transferred.*

35 (B) *Possession of the farm products is transferred to a person*
36 *not engaged in a “farming business” as set forth in Section 263A*
37 *of the Internal Revenue Code.*

38 (c) The exemption established by this section does not apply
39 with respect to either of the following:



1 (1) A tax imposed under the Bradley-Burns Uniform Local
2 Sales and Use Tax Law (Part 1.5 (commencing with Section
3 7200)) or in accordance with the Transactions and Use Tax Law
4 (Part 1.6 (commencing with Section 7251)).

5 (2) A tax imposed under Section 6051.2 or 6201.2, or under
6 Section 35 of Article XIII of the California Constitution.

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