

**Introduced by Senator Poochigian**

February 23, 2001

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An act to add Sections 6397, 17053.50, and 23626 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 877, as introduced, Poochigian. Sales and use tax: exemptions: tax credits: qualified cogeneration equipment.

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.

This bill would additionally exempt purchases of qualified cogeneration equipment, as defined, for use on dairy farms.

The Personal Income Tax Law and the Bank and Corporation Tax Law authorize various credits against the taxes imposed by those laws.

This bill would authorize a credit against those taxes for each taxable year beginning on or after January 1, 2001, in an amount equal to the portion of California property taxes, paid during the taxable year, attributable to those fixtures and improvements to a dairy farm utilized in the cogeneration or transformation of dairy industry by-products into fuel sources used for the operation of that dairy farm.

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 would become operative as specified.

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

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

1 SECTION 1. Section 6397 is added to the Revenue and  
2 Taxation Code, to read:

3 6397. (a) There are exempted from the taxes imposed by this  
4 part, the gross receipts from the sale in this state of, and the storage,  
5 use, or other consumption in this state of, qualified cogeneration  
6 equipment purchased for use on dairy farms.

7 (b) For purposes of this section:

8 (1) "Qualified cogeneration equipment" means equipment  
9 used in the process of the cogeneration or transformation of dairy  
10 industry by-products into fuel or energy resources used for the  
11 operation of a dairy farm.

12 (2) "Dairy farm" means any place or premises upon which  
13 milk is produced for sale or other distribution, and where more  
14 than two cows or six goats are in lactation.

15 SEC. 2. Section 17053.50 is added to the Revenue and  
16 Taxation Code, to read:

17 17053.50. (a) For each taxable year beginning on or after  
18 January 1, 2001, there shall be allowed as a credit against the "net  
19 tax," as defined in Section 17039, an amount equal to the portion  
20 of California property taxes, paid during the taxable year,  
21 attributable to those fixtures and improvements of a dairy farm  
22 utilized in the cogeneration or transformation of dairy industry  
23 by-products into fuel or energy resources used for the operation of  
24 that dairy farm.

25 (b) For purposes of this section, "dairy farm" means any place  
26 or premises upon which milk is produced for sale or other  
27 distribution, and where more than two cows or six goats are in  
28 lactation.



1 (c) In the case where the credit allowed by this section exceeds  
2 the “net tax,” the excess may be carried over to reduce the “net  
3 tax” in the following year, and succeeding years if necessary, until  
4 the credit is exhausted.

5 SEC. 3. Section 23626 is added to the Revenue and Taxation  
6 Code, to read:

7 23626. (a) For each taxable year beginning on or after  
8 January 1, 2001, there shall be allowed as a credit against the  
9 “tax,” as defined in Section 23036, an amount equal to the portion  
10 of California property taxes, paid during the taxable year,  
11 attributable to those fixtures and improvements of a dairy farm  
12 utilized in the cogeneration or transformation of dairy industry  
13 by-products into fuel or energy resources used for the operation of  
14 that dairy farm.

15 (b) For purposes of this section, “dairy farm” means any place  
16 or premises upon which milk is produced for sale or other  
17 distribution, and where more than two cows or six goats are in  
18 lactation.

19 (c) In the case where the credit allowed by this section exceeds  
20 the “tax,” the excess may be carried over to reduce the “tax” in  
21 the following year, and succeeding years if necessary, until the  
22 credit is exhausted.

23 SEC. 4. Notwithstanding Section 2230 of the Revenue and  
24 Taxation Code, no appropriation is made by this act and the state  
25 shall not reimburse any local agency for any sales and use tax  
26 revenues lost by it under this act.

27 SEC. 5. This act provides for a tax levy within the meaning of  
28 Article IV of the Constitution and shall go into immediate effect.  
29 However, the provisions of Section 1 of this act shall become  
30 operative on the first day of the first calendar quarter commencing  
31 more than 90 days after the effective date of this act.

