

**Introduced by Senator Walters**January 27, 2009

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An act to add Section 6363.4 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

## LEGISLATIVE COUNSEL'S DIGEST

SB 107, as introduced, Walters. Sales and use taxes: exemption: nonprofit organization: mandatory gratuities.

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 exempt from sales and use tax, the gross receipts from the sale in this state of, and the storage, use, or other consumption in this state of, a mandatory gratuity, tip, or service charge that is charged to a nonprofit organization, as defined, by a hotel, caterer, restaurant, or similar establishment for a meal, food, or beverages.

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.

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 6363.4 is added to the Revenue and  
2 Taxation Code, to read:

3 6363.4. (a) There are exempted from the taxes imposed by  
4 this part, the gross receipts from the sale in this state of, and the  
5 storage, use, or other consumption in this state of, a mandatory  
6 gratuity, tip, or service charge that is charged by a hotel, caterer,  
7 restaurant, or similar establishment, for a meal, food, or beverages  
8 purchased by a nonprofit organization.

9 (b) For purposes of this section, “nonprofit organization” means  
10 an organization exempt from taxation under Section 501(c)(3) or  
11 Section 501(c)(4) of the Internal Revenue Code.

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

16 SEC. 3. This act provides for a tax levy within the meaning of  
17 Article IV of the Constitution and shall go into immediate effect.  
18 However, the provisions of this act shall become operative on the  
19 first day of the first calendar quarter commencing more than 90  
20 days after the effective date of this act.