

AMENDED IN SENATE AUGUST 7, 2012

AMENDED IN ASSEMBLY MAY 29, 2012

AMENDED IN ASSEMBLY APRIL 25, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 1963

Introduced by Assembly Member Huber

February 23, 2012

An act to repeal ~~and add~~ Section 38 ~~to~~ of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 1963, as amended, Huber. ~~Personal income tax: Sales and use tax: Income taxes: sales and use taxes:~~ Legislative Analyst's Office report.

~~The Personal Income Tax Law~~

~~Existing law~~ imposes taxes based upon taxable income, at specified rates, and ~~allows a taxpayer to elect to take a standard deduction, as provided.~~ Existing law imposes state sales and use taxes on retailers and on the storage, use, or other consumption of tangible personal property in this state at the rate of 6 ¹/₄ % of the gross receipts from the retail sale of tangible personal property in this state and of the sales price of tangible personal property purchased from any retailer for storage, use, or other consumption in this state.

This bill would require the Legislative Analyst's Office to assess potential changes to the laws described above in order to reduce revenue volatility and to provide a report including these assessments to the Legislature on or before July 1, 2013. *This bill also would repeal*

obsolete provisions requiring a report by the Legislative Analyst to the Legislature in 2004.

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. Section 38 of the Revenue and Taxation Code is
2 repealed.

3 ~~SEC. 2. Section 38 is added to the Revenue and Taxation Code,~~
4 ~~to read:~~
5 ~~38.—~~

6 SEC. 2. (a) It is the intent of the Legislature to reduce General
7 Fund revenue volatility, as identified in the January 2005 report
8 by the Legislative Analyst’s Office. To achieve this objective, the
9 Legislature must have an analysis of the methods by which a
10 reduction in revenue volatility may be achieved without a reduction
11 or increase in the total available revenue.

12 (b) On or before July 1, 2013, the Legislative Analyst’s Office
13 shall submit a report to the Legislature assessing potential changes
14 to the state income and sales and use tax laws in order to reduce
15 revenue volatility, diversify revenue sources, and improve
16 California’s economic climate. The report shall include, but is not
17 limited to, the following:

18 (1) A review of California’s current and historical revenue
19 volatility, including, but not limited to, the percentage of the gross
20 state product that is made up by the General Fund budget over a
21 period of 10 years.

22 (2) Proposals for tax reforms that would end California’s
23 revenue volatility, are sum revenue neutral, and do not require
24 amendments to, or revisions of, the California Constitution. To
25 the extent possible, the Legislative Analyst shall use dynamic
26 revenue modeling in determining viable proposals in order to
27 provide an accurate picture of the impact any proposed tax reforms
28 would have on state revenues.

29 (3) An explanation of the calculations needed to determine
30 revenue neutrality.

31 (4) An analysis of the effect a reduction of taxation on individual
32 income would have upon state revenues and revenue volatility.

- 1 (5) An analysis of the effect of imposing a tax on the sale or
2 use of services, concurrent with a reduction of the sales and use
3 tax rate, would have upon state revenues and revenue volatility.
4 This analysis shall include whether a credit or exemption to the
5 services tax should apply to the sale of services between businesses.
6 This analysis shall also include the positive or negative revenue
7 impact of excluding the following services from a tax on services:
8 (A) Necessary or licensed medical services.
9 (B) Services related to education.
10 (C) Automotive repair services.
11 (D) Accounting, auditing, and other services provided by
12 licensed accountants or licensed accounting firms.
13 (E) Legal services provided by licensed attorneys.
14 (F) Services related to agriculture and livestock.
15 (G) Services related to housing, real estate, and construction.
16 (H) Services related to banking.
17 (I) Securities and investment management services.

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