

AMENDED IN ASSEMBLY MAY 16, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2334**

---

---

**Introduced by Assembly Members Mullin and Ting**  
**(Principal coauthor: Assembly Member Eggman)**

February 18, 2016

---

---

An act to amend Section 26011.8 of the Public Resources ~~Code~~ *Code*, and to amend Section 6010.8 of the Revenue and Taxation Code, relating to alternative energy, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2334, as amended, Mullin. ~~Alternative—Sales and use taxes:~~ *exclusion: alternative energy financing.*

The California Alternative Energy and Advanced Transportation Financing Authority Act establishes the California Alternative Energy and Advanced Transportation Financing Authority. The act authorizes, until January 1, 2021, the authority to provide financial assistance in the form of a sales and use tax exclusion for any lease or transfer of title of tangible personal property constituting a project to any participating party, and defines a project and participating party for those purposes. The act limits the sales and use tax exclusion to \$100,000,000 for each calendar year.

This bill would extend the sales and use tax exclusion to any contractor for use in the performance of a construction contract for the participating party that will use that property as an integral part of the approved project. This bill would provide for an additional sales and use tax exclusion amount of \$475,000,000 for the 2016 calendar year and \$250,000,000 for each calendar year thereafter, plus any amounts

not granted or amounts granted but unused from the previous calendar year beginning in the 2017 calendar year.

This bill would take effect immediately as a tax levy.

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

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

1 SECTION 1. Section 26011.8 of the Public Resources Code  
2 is amended to read:

3 26011.8. (a) The purpose of this section is to promote the  
4 creation of California-based manufacturing, California-based jobs,  
5 advanced manufacturing, the reduction of greenhouse gases, or  
6 reductions in air and water pollution or energy consumption. In  
7 furtherance of this purpose, the authority may approve a project  
8 for financial assistance in the form of the sales and use tax  
9 exclusion established in Section 6010.8 of the Revenue and  
10 Taxation Code.

11 (b) For *the* purposes of this section, the following terms have  
12 the following meanings:

13 (1) “Project” means tangible personal property if at least 50  
14 percent of its use is either to process recycled feedstock that is  
15 intended to be reused in the production of another product or using  
16 recycled feedstock in the production of another product or soil  
17 amendment, or tangible personal property that is used in the state  
18 for the design, manufacture, production, or assembly of advanced  
19 manufacturing, advanced transportation technologies, or alternative  
20 source products, components, or systems, as defined in Section  
21 26003. “Project” does not include tangible personal property that  
22 processes or uses recycled feedstock in a manner that would  
23 constitute disposal as defined in subdivision (b) of Section 40192.

24 (2) “Recycled feedstock” means materials that would otherwise  
25 be destined for disposal, having completed their intended end use  
26 and product lifecycle.

27 (3) “Soil amendments” may include “compost,” as defined in  
28 Section 14525 of the Food and Agricultural Code, “fertilizing  
29 material,” as defined in Section 14533 of the Food and Agricultural  
30 Code, “gypsum” or “phosphatic sulfate gypsum,” as those terms  
31 are defined in Section 14537 of the Food and Agricultural Code,  
32 or a substance distributed for the purpose of promoting plant

1 growth or improving the quality of crops by conditioning soils  
2 through physical means.

3 (c) The authority shall publish notice of the availability of  
4 project applications and deadlines for submission of project  
5 applications to the authority.

6 (d) The authority shall evaluate project applications based upon  
7 all of the following criteria:

8 (1) The extent to which the project develops manufacturing  
9 facilities, or purchases equipment for manufacturing facilities,  
10 located in California.

11 (2) The extent to which the anticipated benefit to the state from  
12 the project equals or exceeds the projected benefit to the  
13 participating party from the sales and use tax exclusion.

14 (3) The extent to which the project will create new, permanent  
15 jobs in California.

16 (4) To the extent feasible, the extent to which the project, or the  
17 product produced by the project, results in a reduction of  
18 greenhouse gases, a reduction in air or water pollution, an increase  
19 in energy efficiency, or a reduction in energy consumption, beyond  
20 what is required by federal or state law or regulation.

21 (5) The extent of unemployment in the area in which the project  
22 is proposed to be located.

23 (6) Any other factors the authority deems appropriate in  
24 accordance with this section.

25 (e) At a duly noticed public hearing, the authority shall approve,  
26 by resolution, project applications for financial assistance.

27 (f) Notwithstanding subdivision (j), and without regard to the  
28 actual date of any transaction between a participating party and  
29 the authority, any project approved by the authority by resolution  
30 for the sales and use tax exclusion pursuant to Section 6010.8 of  
31 the Revenue and Taxation Code before March 24, 2010, shall not  
32 be subject to this section.

33 (g) The Legislative Analyst's Office shall report to the Joint  
34 Legislative Budget Committee on the effectiveness of this program,  
35 on or before January 1, 2019, by evaluating factors, including, but  
36 not limited to, the following:

37 (1) The number of jobs created by the program in California.

38 (2) The number of businesses that have remained in California  
39 or relocated to California as a result of this program.

1 (3) The amount of state and local revenue and economic activity  
2 generated by the program.

3 (4) The types of advanced manufacturing, as defined in  
4 paragraph (1) of subdivision (a) of Section 26003, utilized.

5 (5) The amount of reduction in greenhouse gases, air pollution,  
6 water pollution, or energy consumption.

7 (h) (1) (A)The exclusions granted pursuant to paragraph (1) of  
8 subdivision (a) of Section 6010.8 of the Revenue and Taxation  
9 Code for projects approved by the authority pursuant to this section  
10 shall not exceed one hundred million dollars (\$100,000,000) for  
11 each calendar year before the 2017 calendar year.

12 (B) For the 2017 calendar year and each calendar year thereafter,  
13 the exclusions granted pursuant to paragraph (1) of subdivision  
14 (a) of Section 6010.8 of the Revenue and Taxation Code for  
15 projects approved by the authority pursuant to this section shall  
16 not exceed one hundred million dollars (\$100,000,000) plus any  
17 amounts not granted or amounts granted but unused from the  
18 previous calendar year.

19 (2) In addition to the amount described in paragraph (1), the  
20 amount of exclusions that may be granted pursuant to paragraphs  
21 (1) and (2) of subdivision (a) of Section 6010.8 of the Revenue  
22 and Taxation Code for projects approved by the authority pursuant  
23 to this section per calendar year shall be as follows:

24 (A) For the 2016 calendar year, four hundred ~~seventy-five~~  
25 *seventy-five* million dollars (\$475,000,000).

26 (B) For the 2017 calendar year and each calendar year thereafter,  
27 two hundred fifty million dollars (\$250,000,000) plus any amounts  
28 not granted or amounts granted but unused from the previous  
29 calendar year.

30 (i) (1) The authority shall study the efficacy and cost benefit  
31 of the sales and use tax exemption as it relates to advanced  
32 manufacturing projects. The study shall include the number of jobs  
33 created, the costs of each job, and the annual salary of each job.  
34 The study shall also consider a dynamic analysis of the economic  
35 output to the state that would occur without the sales and use tax  
36 exemption. Before January 1, 2017, the authority shall submit to  
37 the Legislature, consistent with Section 9795 of the Government  
38 Code, the result of the study.

39 (2) Before January 1, 2015, the authority shall, consistent with  
40 Section 9795 of the Government Code, submit to the Legislature

1 an interim report on the efficacy of the program conducted pursuant  
2 to this section. The study shall include recommendations on  
3 program changes that would increase the program’s efficacy in  
4 creating permanent and temporary jobs, and whether eligibility  
5 for the program should be extended or narrowed to other  
6 manufacturing types. The authority may work with the Legislative  
7 Analyst’s Office in preparing the report and its recommendations.

8 (j) This section shall remain in effect only until January 1, 2021,  
9 and as of that date is repealed, unless a later enacted statute, that  
10 becomes operative on or before January 1, 2021, deletes or extends  
11 that date. The sale or purchase of tangible personal property of a  
12 project approved before January 1, 2021, shall continue to be  
13 excluded from sales and use taxes pursuant to Section 6010.8 of  
14 the Revenue and Taxation Code for the period of time set forth in  
15 the authority’s resolution approving the project pursuant to this  
16 section.

17 SEC. 2. Section 6010.8 of the Revenue and Taxation Code, as  
18 amended by Section 5 of Chapter 788 of the Statutes of 2015, is  
19 amended to read:

20 6010.8. (a) (1) “Sale” and “purchase” do not include any lease  
21 or transfer of title of tangible personal property constituting any  
22 project to any participating party.

23 (2) On and after the operative date of the act adding this  
24 paragraph, “sale” and “purchase” do not include any lease or  
25 transfer of title of tangible personal property constituting any  
26 project to any contractor for use in the performance of a  
27 construction contract for the participating party that will use that  
28 property as an integral part of the approved project.

29 (b) As used in this section, “project” has the meaning specified  
30 in subparagraph (B) of paragraph (8) of subdivision (a) of Section  
31 26003 of the Public Resources Code and “participating party” has  
32 the meaning specified in subparagraph (B) of paragraph (7) of  
33 subdivision (a) of Section 26003 of the Public Resources Code.

34 (c) This section shall remain in effect only until January 1, 2021,  
35 and as of that date is repealed, unless a later enacted statute, that  
36 is enacted before January 1, 2021, deletes or extends that date.

1 SEC. 3. This act provides for a tax levy within the meaning of  
2 Article IV of the *California* Constitution and shall go into  
3 immediate effect.

O