

Introduced by Senator Roth

(Coauthors: Assembly Members Linder and Melendez)

December 1, 2014

An act to amend Section 97.70 of the Revenue and Taxation Code, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

SB 25, as introduced, Roth. Local government finance: property tax revenue allocation: vehicle license fee adjustments.

Existing property tax law requires the county auditor, in each fiscal year, to allocate property tax revenue to local jurisdictions in accordance with specified formulas and procedures, and generally provides that each jurisdiction shall be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modifications, and that jurisdiction's portion of the annual tax increment, as defined.

Existing property tax law also requires that, for purposes of determining property tax revenue allocations in each county for the 1992–93 and 1993–94 fiscal years, the amounts of property tax revenue deemed allocated in the prior fiscal year to the county, cities, and special districts be reduced in accordance with certain formulas. It requires that the revenues not allocated to the county, cities, and special districts as a result of these reductions be transferred to the Educational Revenue Augmentation Fund in that county for allocation to school districts, community college districts, and the county office of education.

Beginning with the 2004–05 fiscal year and for each fiscal year thereafter, existing law requires that each city, county, and city and county receive additional property tax revenues in the form of a vehicle license fee adjustment amount, as defined, from a Vehicle License Fee

Property Tax Compensation Fund that exists in each county treasury. Existing law requires that these additional allocations be funded from ad valorem property tax revenues otherwise required to be allocated to educational entities.

This bill would modify these reduction and transfer provisions for a city incorporating after January 1, 2004, and on or before January 1, 2012, for the 2014–2015 fiscal year and for each fiscal year thereafter, by providing for a vehicle license fee adjustment amount calculated on the basis of changes in assessed valuation.

By imposing additional duties upon local tax officials with respect to the allocation of ad valorem property tax revenues, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

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 97.70 of the Revenue and Taxation Code
2 is amended to read:
3 97.70. Notwithstanding any other law, for the 2004–05 fiscal
4 year and for each fiscal year thereafter, all of the following apply:
5 (a) (1) (A) The auditor shall reduce the total amount of ad
6 valorem property tax revenue that is otherwise required to be
7 allocated to a county’s Educational Revenue Augmentation Fund
8 by the countywide vehicle license fee adjustment amount.
9 (B) If, for the fiscal year, after complying with Section 97.68
10 there is not enough ad valorem property tax revenue that is
11 otherwise required to be allocated to a county Educational Revenue
12 Augmentation Fund for the auditor to complete the allocation
13 reduction required by subparagraph (A), the auditor shall
14 additionally reduce the total amount of ad valorem property tax
15 revenue that is otherwise required to be allocated to all school
16 districts and community college districts in the county for that

1 fiscal year by an amount equal to the difference between the
2 countywide vehicle license fee adjustment amount and the amount
3 of ad valorem property tax revenue that is otherwise required to
4 be allocated to the county Educational Revenue Augmentation
5 Fund for that fiscal year. This reduction for each school district
6 and community college district in the county shall be the percentage
7 share of the total reduction that is equal to the proportion that the
8 total amount of ad valorem property tax revenue that is otherwise
9 required to be allocated to the school district or community college
10 district bears to the total amount of ad valorem property tax revenue
11 that is otherwise required to be allocated to all school districts and
12 community college districts in a county. For purposes of this
13 subparagraph, “school districts” and “community college districts”
14 do not include any districts that are excess tax school entities, as
15 defined in Section 95.

16 (2) The countywide vehicle license fee adjustment amount shall
17 be allocated to the Vehicle License Fee Property Tax Compensation
18 Fund that shall be established in the treasury of each county.

19 (b) (1) The auditor shall allocate moneys in the Vehicle License
20 Fee Property Tax Compensation Fund according to the following:

21 (A) Each city in the county shall receive its vehicle license fee
22 adjustment amount.

23 (B) Each county and city and county shall receive its vehicle
24 license fee adjustment amount.

25 (2) The auditor shall allocate one-half of the amount specified
26 in paragraph (1) on or before January 31 of each fiscal year, and
27 the other one-half on or before May 31 of each fiscal year.

28 (c) For purposes of this section, all of the following apply:

29 (1) “Vehicle license fee adjustment amount” for a particular
30 city, county, or a city and county means, subject to an adjustment
31 under paragraph (2) and Section 97.71, all of the following:

32 (A) For the 2004–05 fiscal year, an amount equal to the
33 difference between the following two amounts:

34 (i) The estimated total amount of revenue that would have been
35 deposited to the credit of the Motor Vehicle License Fee Account
36 in the Transportation Tax Fund, including any amounts that would
37 have been certified to the Controller by the auditor of the County
38 of Ventura under subdivision (j) of Section 98.02, as that section
39 read on January 1, 2004, for distribution under the law as it read
40 on January 1, 2004, to the county, city and county, or city for the

1 2004–05 fiscal year if the fee otherwise due under the Vehicle
 2 License Fee Law ~~(Pt. (Part 5 (commencing with Section 10701)~~
 3 ~~of Div. Division 2)~~ was 2 percent of the market value of a vehicle,
 4 as specified in ~~Section Sections~~ 10752 and 10752.1 as those
 5 sections read on January 1, 2004.

6 (ii) The estimated total amount of revenue that is required to be
 7 distributed from the Motor Vehicle License Fee Account in the
 8 Transportation Tax Fund to the county, city and county, and each
 9 city in the county for the 2004–05 fiscal year under Section 11005,
 10 as that section read on the operative date of the act that amended
 11 this clause.

12 (B) (i) Subject to an adjustment under clause (ii), for the
 13 2005–06 fiscal year, the sum of the following two amounts:

14 (I) The difference between the following two amounts:

15 ~~(Ia)~~

16 (ia) The actual total amount of revenue that would have been
 17 deposited to the credit of the Motor Vehicle License Fee Account
 18 in the Transportation Tax Fund, including any amounts that would
 19 have been certified to the Controller by the auditor of the County
 20 of Ventura under subdivision (j) of Section 98.02, as that section
 21 read on January 1, 2004, for distribution under the law as it read
 22 on January 1, 2004, to the county, city and county, or city for the
 23 2004–05 fiscal year if the fee otherwise due under the Vehicle
 24 License Fee Law (Part 5 (commencing with Section 10701) of
 25 Division 2) was 2 percent of the market value of a vehicle, as
 26 specified in Sections 10752 and 10752.1 as those sections read on
 27 January 1, 2004.

28 ~~(Ib)~~

29 (ib) The actual total amount of revenue that was distributed
 30 from the Motor Vehicle License Fee Account in the Transportation
 31 Tax Fund to the county, city and county, and each city in the county
 32 for the 2004–05 fiscal year under Section 11005, as that section
 33 read on the operative date of the act that amended this
 34 ~~sub-subclause: subsubclause.~~

35 (II) The product of the following two amounts:

36 ~~(IIa)~~

37 (ia) The amount described in subclause (I).

38 ~~(IIb)~~

39 (ib) The percentage change from the prior fiscal year to the
 40 current fiscal year in gross taxable assessed valuation within the

1 jurisdiction of the entity, as reflected in the equalized assessment
2 roll for those fiscal years. For the first fiscal year for which a
3 change in a city's jurisdictional boundaries first applies, the
4 percentage change in gross taxable assessed valuation from the
5 prior fiscal year to the current fiscal year shall be calculated solely
6 on the basis of the city's previous jurisdictional boundaries, without
7 regard to the change in that city's jurisdictional boundaries. For
8 each following fiscal year, the percentage change in gross taxable
9 assessed valuation from the prior fiscal year to the current fiscal
10 year shall be calculated on the basis of the city's current
11 jurisdictional boundaries.

12 (ii) The amount described in clause (i) shall be adjusted as
13 follows:

14 (I) If the amount described in subclause (I) of clause (i) for a
15 particular city, county, or city and county is greater than the amount
16 described in subparagraph (A) for that city, county, or city and
17 county, the amount described in clause (i) shall be increased by
18 an amount equal to this difference.

19 (II) If the amount described in subclause (I) of clause (i) for a
20 particular city, county, or city and county is less than the amount
21 described in subparagraph (A) for that city, county, or city and
22 county, the amount described in clause (i) shall be decreased by
23 an amount equal to this difference.

24 (C) For the 2006–07 fiscal year and for each fiscal year
25 thereafter, the sum of the following two amounts:

26 (i) The vehicle license fee adjustment amount for the prior fiscal
27 year, if Section 97.71 and clause (ii) of subparagraph (B) did not
28 apply for that fiscal year, for that city, county, and city and county.

29 (ii) The product of the following two amounts:

30 (I) The amount described in clause (i).

31 (II) The percentage change from the prior fiscal year to the
32 current fiscal year in gross taxable assessed valuation within the
33 jurisdiction of the entity, as reflected in the equalized assessment
34 roll for those fiscal years. For the first fiscal year for which a
35 change in a city's jurisdictional boundaries first applies, the
36 percentage change in gross taxable assessed valuation from the
37 prior fiscal year to the current fiscal year shall be calculated solely
38 on the basis of the city's previous jurisdictional boundaries, without
39 regard to the change in that city's jurisdictional boundaries. For
40 each following fiscal year, the percentage change in gross taxable

1 assessed valuation from the prior fiscal year to the current fiscal
 2 year shall be calculated on the basis of the city’s current
 3 jurisdictional boundaries.

4 (2) *Notwithstanding paragraph (1), “vehicle license fee*
 5 *adjustment amount,” for a city incorporating after January 1,*
 6 *2004, and on or before January 1, 2012, means the following:*

7 (A) *For the 2015–16 fiscal year, the quotient derived from the*
 8 *following fraction:*

9 (i) *The numerator is the product of the following two amounts:*

10 (I) *The sum of the most recent vehicle license fee adjustment*
 11 *amounts determined for all cities in the county.*

12 (II) *The population of the incorporating city.*

13 (ii) *The denominator is the sum of the populations of all cities*
 14 *in the county.*

15 (B) *For the 2016–17 fiscal year, and for each fiscal year*
 16 *thereafter, the sum of the following two amounts:*

17 (i) *The vehicle license fee adjustment amount for the prior fiscal*
 18 *year.*

19 (ii) *The product of the following two amounts:*

20 (I) *The amount described in clause (i).*

21 (II) *The percentage change from the prior fiscal year to the*
 22 *current fiscal year in gross taxable assessed valuation within the*
 23 *jurisdiction of the entity, as reflected in the equalized assessment*
 24 *roll for those fiscal years.*

25 ~~(2)~~

26 (3) *For the 2013–14 fiscal year, the vehicle license fee*
 27 *adjustment amount that is determined under subparagraph (C) of*
 28 *paragraph (1) for the County of Orange shall be increased by*
 29 *fifty-three million dollars (\$53,000,000). For the 2014–15 fiscal*
 30 *year and each fiscal year thereafter, the calculation of the vehicle*
 31 *license fee adjustment amount for the County of Orange under*
 32 *subparagraph (C) of paragraph (1) shall be based on a prior fiscal*
 33 *year amount that reflects the full amount of this one-time increase*
 34 *of fifty-three million dollars (\$53,000,000).*

35 ~~(3)~~

36 (4) *“Countywide vehicle license fee adjustment amount” means,*
 37 *for any fiscal year, the total sum of the amounts described in*
 38 *paragraphs ~~(1)~~ (1), (2), and ~~(2)~~ (3) for a county or city and county,*
 39 *and each city in the county.*

40 ~~(4)~~

1 (5) On or before June 30 of each fiscal year, the auditor shall
2 report to the Controller the vehicle license fee adjustment amount
3 for the county and each city in the county for that fiscal year.

4 (d) For the 2005–06 fiscal year and each fiscal year thereafter,
5 the amounts determined under subdivision (a) of Section 96.1, or
6 any successor to that provision, shall not reflect, for a preceding
7 fiscal year, any portion of any allocation required by this section.

8 (e) For purposes of Section 15 of Article XI of the California
9 Constitution, the allocations from a Vehicle License Fee Property
10 Tax Compensation Fund constitute successor taxes that are
11 otherwise required to be allocated to counties and cities, and as
12 successor taxes, the obligation to make those transfers as required
13 by this section shall not be extinguished nor disregarded in any
14 manner that adversely affects the security of, or the ability of, a
15 county or city to pay the principal and interest on any debts or
16 obligations that were funded or secured by that city’s or county’s
17 allocated share of motor vehicle license fee revenues.

18 (f) This section shall not be construed to do any of the following:

19 (1) Reduce any allocations of excess, additional, or remaining
20 funds that would otherwise have been allocated to county
21 superintendents of schools, cities, counties, and cities and counties
22 pursuant to clause (i) of subparagraph (B) of paragraph (4) of
23 subdivision (d) of Sections 97.2 and 97.3 or Article 4 (commencing
24 with Section 98) had this section not been enacted. The allocations
25 required by this section shall be adjusted to comply with this
26 paragraph.

27 (2) Require an increased ad valorem property tax revenue
28 allocation or increased tax increment allocation to a community
29 redevelopment agency.

30 (3) Alter the manner in which ad valorem property tax revenue
31 growth from fiscal year to fiscal year is otherwise determined or
32 allocated in a county.

33 (4) Reduce ad valorem property tax revenue allocations required
34 under Article 4 (commencing with Section 98).

35 (g) Tax exchange or revenue sharing agreements, entered into
36 prior to the operative date of this section, between local agencies
37 or between local agencies and nonlocal agencies are deemed to be
38 modified to account for the reduced vehicle license fee revenues
39 resulting from the act that added this section. These agreements
40 are modified in that these reduced revenues are, in kind and in lieu

1 thereof, replaced with ad valorem property tax revenue from a
2 Vehicle License Fee Property Tax Compensation Fund or an
3 Educational Revenue Augmentation Fund.

4 SEC. 2. If the Commission on State Mandates determines that
5 this act contains costs mandated by the state, reimbursement to
6 local agencies and school districts for those costs shall be made
7 pursuant to Part 7 (commencing with Section 17500) of Division
8 4 of Title 2 of the Government Code.

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