

In contrast to the prior year, the State's financial outlook in January turned negative looking ahead into fiscal year 2023/2024. The Governor and Legislature must address a potential budget shortfall, amidst an uncertain economy, while simultaneously navigating through various legislative priorities in the next few months.

February 17th was the first deadline to introduce bills in this legislative cycle for 2023. The final bills from last month were in print bringing the total for new introductions to 2,632 bills, the highest number in the past decade. Policy committees are now underway to hear presentations on all of these new law possibilities. April 28th is the last day for policy committees to hear fiscal bills, and May 5th is the last day for policy committees to hear non-fiscal bills.

The following includes HdL priority updates for 2023 statuses on legislation to watch and bills related to sales and use tax, cannabis taxation and regulation, property taxation, and tax/fee administration that HdL is currently tracking.



Legislation to Watch

THE CALIFORNIA TWO-THIRDS LEGISLATIVE VOTE AND VOTER APPROVAL FOR FEE AND CHARGE INCREASES INITIATIVE

This initiative (No. 21-0043) limits the ability of voters and state and local governments to raise revenues for government services. Under the amendment, new or increased taxes must be passed by a two-thirds legislative vote in each State chamber and approved by a simple majority of voters. Further, it increases the vote requirement for local taxes proposed by local government or citizens to a two-thirds vote of the local electorate. The increased vote requirements for new or higher taxes would not apply to citizen-initiated state ballot measures.

Status: *The initiative measure is eligible for the 11/05/24 general election.*



Sales and Use Tax Legislation

AB 52 (GRAYSON) SALES AND USE TAX EXEMPTION FOR MANUFACTURING EQUIPMENT

The Sales and Use Tax Law imposes state taxes on retailers measured by the gross receipts from the sale of tangible personal property sold at retail in this state, or on the storage, use, or other consumption in this state of tangible personal property purchased from a retailer for storage, use, or other consumption in this state. This bill would express the intent of the Legislature to expand the sales and use tax exemption for manufacturing and research and development equipment to preserve California's status as a hub of innovation and technology and to encourage greater investment in California.

Status: *Introduced, 12/05/22*

AB 314 (PATTERSON) SALES AND USE TAX EXEMPTION EXTENSION FOR TRUCKS USED FOR INTERSTATE AND OUT-OF-STATE COMMERCE

Current Sales and Use Tax Law provides an exemption for the sale of, or the storage, use, or other consumption of, a new, used, or remanufactured truck, or a new or remanufactured trailer or semitrailer, with an unladen weight of 6,000 pounds or more that is purchased for use without this state and is delivered to the purchaser within this state, and the purchaser drives or moves the vehicle to any point outside this state within 30 or 75 days, as applicable, from and after the date of delivery, if the purchaser furnishes certain documents to the manufacturer or remanufacturer until January 1, 2024. This bill would extend that exemption until January 1, 2029, and would exempt a used trailer or semitrailer without any time limitation.

Status: Referred to Committee on Revenue and Taxation, 02/09/23

AB 321 (WILSON) SALES AND USE TAX EXEMPTION FOR ZERO EMISSION PUBLIC TRANSPORTATION FERRIES

Sales and use tax laws impose a tax on retailers measured by the gross receipts from the sale of tangible personal property sold at retail in this state. This bill would exempt the gross receipts from those taxes from the sale in this state of, and the storage, use, or other consumption in this state of, zero-emission public transportation ferries and would specify that the exemption does not apply to local sales and use taxes or transactions taxes until January 1, 2028.

Status: Amended in Assembly and Re-referred to Commission on Revenue and Taxation, 03/07/23

AB 543 (GIPSON) SALES AND USE TAX EXEMPTION FOR PETROLEUM PRODUCTS SOLD TO WATER COMMON CARRIERS

The Sales and Use Tax Law currently provides an exemption for the sale of fuel and petroleum products sold to a water common carrier for immediate shipment outside this state for consumption in the conduct of its business as a common carrier after the first out-of-state destination, as defined. Current law repeals this exemption on January 1, 2024. This bill would delete the repeal date, thereby extending operation of this exemption indefinitely.

Status: Referred to Committee on Revenue and Taxation, 02/17/23



Cannabis-Related Legislation

AB 374 (HANEY) AND SB 285 (ALLEN) LOCAL CONTROL OF CANNABIS CONSUMPTION

Current law allows for the smoking, vaporizing, and ingesting of cannabis goods on the premises of a retailer or microbusiness. These bills would authorize local jurisdictions to allow retailers or microbusinesses to conduct other business activities on site, including selling food and nonalcoholic beverages. AB 374 would further allow for live musical events or other performances on site.

Status:

AB 374 Referred to Committees on Business and Professions and Governmental Organization, 02/17/23

SB 285: Set for Hearing, 04/17/23

AB 1565 (JONES-SAWYER) EQUITY PROGRAM GRANTS FOR CANNABIS

The bill would require the Department of Cannabis Control to disburse \$15,000,000 in annual funding to support local equity programs in eligible local jurisdictions to assist local equity applicants and licensees gaining entry into, and to successfully operate in, the state's regulated cannabis marketplace, as specified beginning in the 2028-29 fiscal year.

Status: Set for Hearing, 03/27/23



Property Tax Legislation

AB 84 (WARD) CHANGES TO REQUIREMENTS FOR WELFARE EXEMPTIONS FOR LOWER INCOME HOUSEHOLDS

Current property tax law provides for a welfare exemption for property used exclusively for religious, hospital, scientific, or charitable purposes and that is owned or operated by certain types of nonprofit entities, if certain qualifying criteria are met. This bill would remove the requirement that an eligible owner of property receive a low-income housing tax credit and would instead require that a unit continue to be treated as occupied by a lower income household if the property is subject to a legal restriction that provides that units designated for use by lower income households are continuously available to or occupied by lower income households, at rents not exceeding specified limits beginning with the 2024-25 fiscal year.

Status: Re-referred to Committee on Housing and Community Development, 03/08/23

ACA 1 (AGUIAR-CURRY) EXEMPTION AND CHANGES TO VOTER APPROVAL RATE FOR AD VALORUM TAX RATE ON REAL PROPERTY

The California Constitution prohibits the ad valorem tax rate on real property from exceeding 1% of the full cash value of the property, subject to certain exceptions. This measure would create an additional exception to the 1% limit that would authorize a city, county, city and county, or special district to levy an ad valorem tax to service bonded indebtedness incurred to fund the construction, reconstruction, rehabilitation, or replacement of public infrastructure, affordable housing, or permanent supportive housing, or the acquisition or lease of real property for those purposes, with a 55% voter approval instead of the existing 2/3 voter approval currently required.

Status: Introduced, 12/06/22

SB 320 (SKINNER) POSSESSORY INTERESTS FOR PUBLICLY OWNED HOUSING PROJECTS

Current property tax law requires that all property subject to tax be assessed at its full cash value and includes certain possessory interests among those property interests that are subject to tax. This bill would provide that there is no independent possession or use of land or improvements if the possession or use is for a tenancy in a residential unit in a publicly owned housing project is part of a governmental assistance program, and directly fulfills the governmental public purpose of providing the housing as described in the governmental assistance program.

Status: Referred to Committee on Governance and Finance, 02/15/23



Business License Legislation

AB 783 (JACKSON) NEW REQUIREMENTS FOR BUSINESSES WITH SINGLE-USER RESTROOM FACILITIES

This bill would require a city that licenses businesses within its jurisdiction to provide written notice to each applicant for a new or renewed business license of the requirement that all single-user toilet facilities in any business establishment, place of public accommodation, or government agency be identified as all-gender toilet facilities. By increasing the duties of local officials, this bill would impose a state-mandated local program.

Status: Referred to Committee on Business and Professions, 03/02/23

AB 1334 (PELLERIN) EXEMPTION FOR MOBILE HOME PARKS ADDING ADDITIONAL SPACES

The Mobile Home Park Acts regulates various classifications of mobile home and related vehicle parts and imposes enforcement duties on the Department of Housing and Community Development. This bill would authorize an owner of an existing mobile home park that is subject to, or intends to qualify for, a valid permit to operate the park, to apply to the enforcement agency to add additional spaces to the mobile home park not to exceed 10% of the previously approved number of spaces in the mobile home park. The bill would exempt the additional spaces from any business tax, local registration fee, use permit fee, or other fee that does not apply to the existing spaces in the park. The bill would prohibit the city or county from requiring zoning approval and would exempt those projects from CEQA.

Status: Referred to Committee on Housing and Community Development, 03/02/23

SB 451 (NGUYEN) – EXTENDING LICENSED MANICURIST EXEMPTION FOR INDEPENDENT CONTRACTORS

Existing law requires a 3-part test, commonly known as the “ABC” test, to determine if workers are employees or independent contractors for purposes of the Labor Code, the Unemployment Insurance Code, and the wage orders of the Industrial Welfare Commission. Existing law exempts specified occupations and business relationships from the application of the ABC test described above including licensed manicurists. This bill would delete the January 1, 2025 inoperative date, thereby making licensed manicurists subject to this exemption indefinitely.

Status: Referred to Committees on Labor, Public Employment and Retirement, 02/22/23



Lodging Tax

AB 537 (BERMAN) ADVERTISING PROHIBITIONS FOR SHORT-TERM RENTALS

This bill would prohibit a place of short-term lodging from advertising (including website, application, or centralized online platform) or offering a room rate that does not include all taxes and fees required to book or reserve the lodging. The violation of those provisions will be subject to a specified civil penalty not to exceed \$10,000 and would authorize an action to enforce those provisions to be brought by a city attorney, district attorney, or the Attorney General.

Status: Referred to Committees on Business & Professions and Judiciary, 02/17/23

SB 683 (GLAZER) HOTEL AND SHORT-TERM RENTALS ADVERTISED AND MANDATORY FEE LISTINGS

Under The False Advertising Law and the Unfair Competition Law, false and misleading advertising practices are criminal. This bill would require a person that advertises a hotel room rate or short-term rental rate before the public in this state to include in the advertised rate all mandatory fees, as provided. The bill would require a hotel or a short-term rental to clearly and conspicuously disclose on its internet website a list of all mandatory fees and credit card surcharges imposed on consumers. The bill would authorize the Attorney General to bring an enforcement action and would require a court to impose a civil penalty of not more than \$10,000 for each violation, depending on consideration of specified factors.

Status: Referred to Judiciary Committee, 03/01/23

SB 644 (GLAZER) REFUNDS FOR HOTEL AND PRIVATE RESIDENCE RENTAL RESERVATIONS

This bill would require a hotel, third-party booking service, hosting platform, and short-term rental to allow a reservation to be canceled without penalty if the cancellation is commenced within 24 hours of the reservation being finalized so long as the reservation is made 24 hours or more prior to the day of check-in. This bill would require the hotel, third-party booking service, hosting platform, and short-term rental to issue the refund to the customer for the full amount of the reservation, including fees, to the original form of payment within 30 days of the cancellation of the reservation. It would also authorize the Attorney General to bring an enforcement action and recommend a civil penalty for each violation.

Status: Referred to Committee on Judiciary, 03/01/23



Utility Users Tax

AB 41 (HOLDEN) THE DIGITAL EQUITY IN VIDEO FRANCHISING ACT OF 2023

This act revises and recasts the Digital Infrastructure and Video Competition Act of 2006 to rename the act as the Digital Equity in Video Franchising Act of 2023 expanding the definition of video service to include video programming provided as part of, and via, a service that enables users to access content, information, email, or other services offered over the public internet. It provides that the act does not authorize the commission to regulate the rates of video services and authorizes the commission to exercise all authority, jurisdiction, and powers authorized to be exercised by a franchise authority pursuant to certain federal law. It requires a franchise applicant to submit a description of the households that are known to be unserved in the video service area footprint that is proposed by the applicant. The act revises the revenues excluded from the definition of “gross revenue” for purposes of calculating the franchise fee for a local jurisdiction and establishes a policy of the state that subscribers and potential subscribers of a state video franchise holder should benefit from equal access, as defined, to service within the service area, as specified.

Status: Referred to Committee on Communications and Conveyance, 01/26/23