



# CalTaxletter

News and Analysis From the California Taxpayers Association

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## Legislative Update: New Wealth Tax Introduced Just Ahead of Deadline

Just ahead of today’s deadline for introducing bills in the 2021-22 legislative session, Assembly Member Alex Lee reintroduced his “wealth tax” proposal in the form of [AB 2289](#). The tax would apply to – but would not be limited to – art and collectibles, real property, pension funds, financial assets held offshore, farm assets, mutual funds, index funds, and stocks.

“Last year’s version of the wealth tax led many Californians to rethink living in California, just by virtue of being introduced,” CalTax President Robert Gutierrez said. “In the last year, these taxpayers sought out legal advice, hired tax experts who specialize in residency issues, and seriously reconsidered their future in California. The new-and-not-improved proposal will prompt more wealthy Californians to pack their bags and move – a bad idea considering they represent a major portion of our tax base.”

The top 5 percent of earners in California account for roughly two-thirds of the total personal income tax revenue received by the state, and are largely responsible for the record revenue surplus collected by the state.

“If high earners leave – and they will, to avoid the tax hike as well as the headache of having to annually appraise everything they own, anywhere in the world – the taxpayers left in California will be asked to pay more,” Gutierrez said.

In addition to taxing assets of high-wealth Californians – and, in some cases, former Californians – this bill

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would apply the provisions of the False Claims Act to claims, records, or statements made in relation to the new tax.

CalTax opposes AB 2289 and will continue leading a large coalition against the wealth tax.

AB 2289 includes these provisions:

- For the tax years 2023 and 2024, imposes a new 1.5 percent annual tax on a California resident's "worldwide net worth" in excess of \$1 billion, or in excess of \$500 million in the case of a married taxpayer filing separately.
- For tax year 2025 and beyond, the tax would be changed to 1 percent of a California resident's "worldwide net worth" in excess of \$50 million (or \$25 million for a married taxpayer filing separately), as well as an additional tax at a rate of 0.5 percent of a resident's "worldwide net worth" in excess of \$1 billion (or \$500 million for a married taxpayer filing separately).
- "Worldwide net worth" is defined with reference to specific federal provisions and would not include specific assets, including personal property situated out of state, directly held real property, or liabilities related to directly held real property.
- High-wealth Californians who establish residency outside the state would continue to be subject to the tax for several years based on a complicated formula outlined in the bill. Also, a nonresident "shall be subject to the tax ... to the extent the nonresident has extreme wealth sourced to this state."
- The Franchise Tax Board would be authorized to adopt regulations to carry out the tax provisions, "including regulations regarding the valuation of certain assets that are not publicly traded." The bill includes extensive descriptions of how values of stocks and certain assets could be determined, along with restrictions on transferring wealth to avoid taxation, and large penalties for understating assets or attempting to evade the tax.
- This bill would establish a new bureaucracy called the "Wealth Tax Advisory Council." The council would be required to determine "an adequate level of annual funding and staffing for the administration and collection of the wealth tax imposed by this measure." AB 2289 would weaken legislative oversight by establishing two continuously appropriated funds in the State Treasury to cover the expenses of the administration and collection of the wealth tax, and the funds would be funded by the greater of either a specified amount or a certain percentage of revenue estimated to be generated by the tax.
- The bill specifies that the "wealth tax" will become operative only if a proposed constitutional amendment, [ACA 8](#), is approved by a majority of voters in a statewide election and takes effect. ACA 8 was introduced almost one year ago, and has yet to be referred to a committee for its first hearing. As a proposed constitutional amendment, it is not subject to the same deadlines as bills.

Lee, a Democrat who represents a district in San Jose, wrote in a social media post that his intent is "to make billionaires pay their fair share."

"The working class pays their fair share time & time again to build investments for the future," Lee added. "It's time for the ultra rich do too. It's time for #TaxExtremeWealthCA."

According to Lee's posts, the bill is sponsored by the California Federation of Teachers and is co-authored by Democratic Assembly Members Wendy Carrillo, Ash Kalra, Luz Rivas, and Mark Stone.

Last year's version, [AB 310](#), was assigned to the Assembly Revenue and Taxation Committee and died there without ever coming up for a vote. Under legislative rules, AB 2289 cannot be heard in a committee for at least 30 days.

Although today is the last day for bills to be introduced for consideration in the current legislative session, the gut-and-amend process can continue to be used to essentially introduce new bills by replacing the contents of bills that were introduced prior to the deadline.

## State Budget:

### Revenue for Current Fiscal Year Beats Expectations by \$16 Billion

The state collected nearly \$16 billion more revenue than expected during the first seven months of the 2021-22 fiscal year, the [Department of Finance reported](#) this week.

"Preliminary General Fund agency cash receipts for the first seven months of the 2021-22 fiscal year were \$15.954 billion above the 2022-23 Governor's Budget forecast of \$109.355 billion," the department stated in its monthly finance report. "Of note, \$6.206 billion of this total additional revenue is due to higher-than-expected Pass-Through Entity (PTE) elective tax payments under the corporation tax, a 2021 state tax change designed to allow some taxpayers to reduce their allowable federal tax liability starting with their 2021 tax returns."

The report continued:

"Every dollar received from the PTE elective tax paid generates a dollar of personal income tax credit. While the amount of PTE elective tax payments can be tracked in monthly cash reports, the extent to which taxpayers will reduce their personal income tax payments to reflect the elective tax credits cannot be determined until more complete tax return data for 2021 are available. Therefore, it is reasonable to assume that a portion of this \$6.2 billion may overstate the amount of overall revenue strength to date."

Two of the "big three" taxes that provide most of the state's general fund revenue are running ahead of projections:

- Personal income tax revenue for the first seven months of the fiscal year was \$9.17 billion above the forecast of \$76.71 billion. In January alone, PIT receipts were \$5.98 billion above the forecast of \$21.1 billion. "The Governor's Budget forecast assumed that personal income tax estimated payments would be reduced by \$1.74 billion in January by taxpayers who adjusted payments to reflect PTE elective tax credits, but it is unknown by how much taxpayers actually did adjust their estimated payments," the Department of Finance stated. "It is possible the overage would have been smaller or greater if the effect of the PTE elective tax credits were backed out. Refunds issued in January were \$97 million below the expected \$529 million."
- Sales and use tax revenue for the first seven months of the fiscal year was \$223 million below the forecast of \$17.92 billion. The collections in January were \$414 million below the month's forecast of \$2.01 billion.
- Corporation tax revenue for the first seven months of the fiscal year was \$7.99 billion above the forecast of \$10 billion. "Of that overage, \$6.206 billion was from higher PTE elective tax payments," the Department of Finance reported. "Cash receipts for January were \$2.197 billion above the month's forecast of \$843 million. Estimated payments were \$197 million above the forecast of \$714 million, and other payments were \$63 million above the \$245 million forecast. PTE elective tax payments were \$1.961 billion above the forecast of \$0. Total refunds for the month were \$25 million higher than the forecast of \$116 million."

In other budget-related news:

**Democratic Leaders Have Concerns With Newsom's Gas Tax Relief Plan.** The Democratic leaders of the Assembly and Senate indicated February 16 that they don't support Governor Gavin Newsom's proposal for a "gas tax holiday" in which the state excise taxes on gasoline and diesel fuel would not be increased for inflation on July 1.

Assembly Speaker Anthony Rendon and Senate President Pro Tem Toni Atkins, speaking during a forum hosted by the Sacramento Press Club, said they are not convinced that the scheduled tax rate increases should be stopped.

Atkins said [SB 1](#), the 2017 legislation that increased fuel taxes to fund more transportation projects, "has been doing the job" and "there's going to be discussion and some concern" about how the governor's plan would affect transportation funding.

The governor said in his January budget release that suspending the annual rate hike would avoid a \$523 million tax increase, and that the general fund will provide this amount to transportation projects to keep their funding whole.

Rendon, who noted that the annually adjusted gas tax was supported by trade unions, said, "I certainly have concerns."

Absent any change, the California Department of Tax and Fee Administration is required to adjust the tax rates each year based on the percentage change in the California Consumer Price Index as calculated by the Department of Finance. Because the annual inflation adjustment was approved in past legislation with a [two-thirds vote](#), the yearly tax increases do not require annual approval by the voters or two-thirds of the Legislature.

**Budget Subcommittees Continue to Meet.** Budget subcommittees continued to hold budget hearings this week, with several focusing on housing issues.

The Senate Budget and Fiscal Review Subcommittee on State Administration and the Senate Housing Committee held a joint hearing February 16 to discuss budget proposals to expand affordable housing and combat homelessness.

"It is no secret that the state is facing a housing affordability challenge, to put it mildly," Senator Sydney Kamlager, a Los Angeles Democrat, said. "We are one of the most expensive housing markets in the country and it is one of the most cited concerns among our constituents. Homeless populations seem to grow year after year, along with all of our frustrations. In response, the state has invested significant resources."

Representatives of the Legislative Analyst's Office, the California Interagency Council on Homelessness, and the California Housing Finance Agency provided testimony on several budget proposals to address a lack of housing in the state. Some legislators expressed concern over the efficacy of Project Homekey, a government program that purchases vacant motel, hotel, and apartment units and converts them into permanent housing for the homeless. The governor's budget proposes \$5.8 billion for the project.

"There has been some success in reducing or sheltering people in terms of keeping numbers flat, but the unsheltered numbers are moving up at a rapid pace," Senator Dave Cortese, a Democrat from San Jose, commented. "My concern is, how are we making decisions budget-wise in temporary shelter versus permanent housing."

Zachary Olmstead, chief deputy director of the Housing and Community Development Agency, responded that the state is attempting to drive homeless individuals to permanent housing, but the short-term goal is simply to provide shelter.

The joint committee hearing was purely informational, and no votes were taken.

The Senate Budget and Fiscal Review Subcommittee on State Administration held a separate hearing later the same day to discuss budget proposals relating to affordable housing tax credits and the Department of Fair Employment and Housing (DFEH) workload, among other things.

The subcommittee approved funding to the DFEH for additional staff to produce reports on industries showing changes in demographic representation and “gender pay equity.”

The subcommittee also took testimony on several other budget proposals, but did not vote on those items. These proposals included an additional \$450 million proposed for the Encampment Resolution Grant Program. Some legislators expressed concern about a jump from \$50 million in funding last year to the proposed \$500 million for the 2022-23 fiscal year.

“To go from \$50 million to \$500 million is pretty significant,” Senator Anna Caballero, a Democrat from Salinas, stated. “Unless our research has found that \$50 million would not make a difference in how we are housing homeless, to me it might make more sense for us to allocate that \$50 million and get an idea on how that money rolls out before we make a larger investment.”

## **Unemployment Insurance: Legislative Analyst Questions Need for Governor’s Anti-Fraud Proposals**

The Legislature should reject several of the Newsom administration’s budget proposals relating to unemployment insurance fraud, the Legislative Analyst’s Office (LAO) recommended February 15, because they won’t necessarily improve upon recently approved anti-fraud measures that appear to be working.

The administration proposes providing the Employment Development Department (EDD) with \$29.8 million for six third-party contracts to prevent unemployment insurance fraud, in addition to 13 other third-party contracts in the EDD’s “vendor services” budget requests.

“Moving forward at this time with additional layers of fraud protection is not necessary because (1) recent fraud was concentrated in temporary federal benefit programs that have now ended, (2) recent fraud in the state’s regular UI program appears to have been minimal, and (3) adopting additional fraud protection now runs counter to the [Newsom administration’s 2020] strike team recommendations,” the LAO stated.

The analyst said the administration’s \$1.3 billion estimate of fraud in the state UI benefits program “likely is overstated,” and differentiated between the state’s regular UI program and the temporary federal benefit programs.

“EDD counts state UI claims as fraudulent if a worker did not confirm their identity when EDD requested additional documentation or verification,” the analyst wrote. “Yet there are several reasons why workers with legitimate claims may not have followed up with EDD. Many of the suspected fraudulent claimants already had run out of benefits, meaning legitimate claimants would have had little reason to log in to confirm their identity. Other claimants may have given up in frustration after trying unsuccessfully to send requested documentation to EDD. While widespread frustration and an inability to contact EDD are problematic for other reasons, the claims from this group of workers did not represent fraudulent activity so including them contributes to the overstatement. Another estimate of likely fraud in the state’s program (based on findings in the administration’s strike team report) suggests that state UI fraud during the pandemic could be much smaller – just \$100 million in fraud out of \$35 billion in benefits paid. ... Given that relatively little fraud seems to have targeted the state’s regular UI program, new, additional layers of fraud prevention are not needed.”

EDD, the agency charged with administering California's unemployment insurance system, has become inundated with UI requests since the outbreak of COVID-19. California's UI fund ended 2019 with a \$3.3 billion surplus, but the economic downturn associated with COVID-19 quickly wiped out the money. The EDD projects the deficit to reach \$21.8 billion by the end of 2022.

Federal loans were taken to allow the EDD to issue benefits to California workers, and now California employers are subject to an increased payroll tax until the loans are fully repaid.

The California State Auditor's Office discovered – and the EDD later corroborated – that an estimated \$31 billion in benefits were paid to scammers.

The legislative analyst said the state needs to strike a balance between identifying fraudulent claims and providing timely access to UI benefits for those with legitimate claims.

“Attempting to eliminate all fraud necessitates onerous eligibility standards and a lengthy, time-consuming application process,” the analyst wrote. “On the other hand, although a program without fraud controls would be quick and simple, such a system would expose the state and employers to substantial financial risk.”

The analyst recommended that the Legislature reject the administration's proposals to make pandemic-era anti-fraud tools permanent (automated batch review and identity risk analytics) and approve contracts designed to prevent coordinated bot attacks.

“To ensure that an anti-fraud emphasis does not come at the expense of prompt and straightforward payments, the strike team recommended that new anti-fraud proposals must be supported by data and take into consideration how the new protocols might impact legitimate claimants,” the analyst wrote.

The EDD's use of one vendor's software to suspend 1.1 million claims, of which at least 600,000 ultimately were determined to be legitimate, “raises concerns that EDD has not internalized the strike team's fraud-related recommendations,” the analyst stated. The analyst urged lawmakers to reject the administration's proposal to extend the contract with this vendor “because the state's use of these programs adversely impacted the experience of several hundred thousand unemployed workers with legitimate claims and are not likely to be useful now that automated identity verification is in place.”

## Initiative Update:

### Two PIT Increase Initiatives Reach 25 Percent Signature-Gathering Threshold

Proponents of two personal income tax increase initiatives certified that they have collected 25 percent of the number of signatures needed to qualify for the November ballot, the Secretary of State's Office reported this week.

The initiatives propose income tax increases on Californians making more than \$2 million and \$5 million, respectively. The 25 percent threshold for an initiative statute is 155,803 signatures, while the threshold for a constitutional amendment is 249,285 signatures.

[Initiative 21-0037A1](#), an initiative statute that proposes a PIT surcharge of 1.75 percent on taxable income above \$2 million for each taxable year after 2023, had [155,803 certified signatures](#) as of February 16. Proponents include rideshare company Lyft, the California State Association of Electrical Workers, and California Environmental Voters (formerly the California League of Conservation Voters).



The initiative includes a sunset date of January 1, 2043, but also provides that the surcharge would become inoperative if, for three consecutive calendar years after 2030, statewide greenhouse gas emissions are 80 percent below 1990 levels. Revenue from the new tax would be used for electric vehicle charging infrastructure, financial incentives for zero-emission vehicles, and acquiring additional resources to combat or prevent wildfires.

Proponents recently withdrew a second initiative from circulation that proposed to add a 2.45 percent tax surcharge on net income above \$20 million – with an identical increase in the tax on banks and financial corporations – for each taxable year after 2023. An earlier version of that initiative also proposed to eliminate the water’s-edge election and require all corporate taxpayers to determine their income using the worldwide combined reporting method.

The initiative, which received its [title and summary](#) January 10, faces a July 11 signature-gathering deadline.

[Initiative 21-0022A1](#), an initiative constitutional amendment that proposes a 0.75 percent income tax increase on Californians making more than \$5 million per year, with revenue earmarked for investments in technology that will create an early-warning system to detect, prevent, and defeat biological threats before they become pandemics, had [249,285 certified signatures](#) as of February 11.

Proponents have created the “Open Philanthropy Action Fund, Yes on the California Pandemic Early Detection and Prevention Act” campaign committee, reporting a \$5 million contribution from Cari Tuna, a former *Wall Street Journal* reporter who is married to Facebook co-founder Dustin Moskovitz. Open Philanthropy is an organization with board members including Tuna, Moskovitz, and Divesh Makan (co-founder and CEO of Iconiq Capital, a high-end Silicon Valley wealth management and investment firm).

The initiative would create and fund an independently governed public grantmaking organization within the State Treasury, called the California Pandemic Early Detection and Prevention Institute, with a seven-member board. Five of the board members would be appointed by the governor, one would be a representative of the California Department of Public Health, and one would be hired as the chief executive officer. While the institute would generate revenue from the tax increase for a period of 10 years, it could operate for a period of 15 years after the effective date of the initiative or until its funds are exhausted, whichever occurs sooner. Should any funds remain, the institute could continue to operate for up to 5 years to oversee the completion of grants previously awarded.

The initiative received its [title and summary](#) November 22, and faces a May 23 signature-gathering deadline.

Under state law, initiative proponents must immediately certify to the secretary of state when they reach the 25 percent mark, under penalty of perjury. Upon receipt of the certification, the secretary of state must provide copies of the proposed initiative and the circulating title and summary to the Senate and the Assembly. Each house is required to assign the initiative to its appropriate committees and hold joint public hearings at least 131 days before the date of the election. The Legislature cannot amend the initiative or prevent it from appearing on the ballot, however.

In other initiative-related news:

**Legislative Leaders Indicate Desire to Negotiate Compromise Among Proponents of Gambling Initiatives.**

With several competing online gambling initiatives vying for the November ballot, Assembly Speaker Anthony Rendon and Senate President Pro Tem Toni Atkins indicated February 16 that they are interested in negotiating a compromise to avoid “voter confusion.”

Rendon said the Legislature’s “thoughtful and deliberative process” is the best avenue for lawmaking, and could result in some of the initiatives being withdrawn by proponents.

The two Democratic leaders commented on the issue during a forum hosted by the Sacramento Press Club, in response to a question that also asked about the likelihood they would seek a legislative deal to keep the Taxpayer Protection and Government Accountability Act off the November ballot (its proponents currently are collecting signatures). Rendon and Atkins focused their answers solely on the gambling initiatives.

## Public Opinion Poll:

### Governor's Handling of Jobs and the Economy Has 32 Percent Voter Approval

Asked about Governor Gavin Newsom's handling of "jobs and the economy," 32 percent of voters said it has been "excellent" or "good," while 23 percent said his efforts have been "fair," and 39 percent ranked his work as "poor" or "very poor," according to a [poll](#) released February 15 by the Berkeley Institute of Governmental Studies.

Newsom's approval rating in this area has increased over the past two years. In September 2020, Newsom's work with jobs and the economy area was graded "excellent/good" by 29 percent, "fair" by 27 percent, and "poor/very poor" by 31 percent. In January 2021, the ratings were 23 percent, 23 percent, and 45 percent, respectively. (The figures reported by the pollster do not add up to 100 percent due to rounding and "don't know" answers.)

The pollster did not ask questions specifically about taxes or fees.

Newsom's "managing of the budget surplus" was graded "excellent/good" by 28 percent, "fair" by 19 percent, and "poor/very poor" by 41 percent.

The governor's lowest approval rating was on the issue of homelessness, where he was graded "excellent/good" by 11 percent, "fair" by 18 percent, and "poor/very poor" by 66 percent.

The findings are based on a poll administered online in English and Spanish from February 3 through February 10. The poll included 8,937 registered California voters, but some of the results reported by the pollster were based on a random sample of 4,460 registered voters. Funding for the polls was provided in part by the *Los Angeles Times*.

## Courts:

### Newsom Nominates Court of Appeal Justice to State Supreme Court

Governor Gavin Newsom announced February 15 that he has nominated Fourth District Court of Appeal Justice Patricia Guerrero to the California Supreme Court to fill the vacancy left by the resignation of Justice Mariano-Florentino Cuéllar, who left the bench October 31.



"A keen legal mind and well-regarded jurist, Justice Guerrero's wide-ranging experience, integrity, deep respect for the rule of law and lifelong commitment to public service make her a phenomenal candidate to serve as our next California Supreme Court Justice," Newsom said in a written announcement. "Born and raised in the Imperial Valley by immigrant parents from Mexico, her extraordinary journey and nomination to serve as the first Latina Justice on the bench of our state's highest court is an inspiration to all of us and a testament to the California Dream's promise of opportunity for all to thrive, regardless of background or zip code."

Newsom said the nomination illustrates that "we continue to make strides in building a judiciary more representative of our state's diversity."



"I am deeply honored by this incredible opportunity to uphold the rule of law and make a positive impact on the lives of Californians across the state," Guerrero said. "If confirmed, I look forward to helping instill confidence in the equality and integrity of our judicial system while honoring the sacrifices of my immigrant parents and demonstrating to young people that anything is possible in our wonderful and diverse country."

Guerrero, a 50-year-old Democrat from San Diego, has served as an associate justice in the Fourth District Court of Appeal, Division One, since 2017. The justice, a native of the Imperial Valley, attended the University of California at Berkeley and Stanford Law School, where she earned her law degree. She was active in the Latino Law Students Association.

Guerrero previously served as a San Diego County Superior Court judge from 2013 to 2017, and was the supervising judge for the Family Law Division at the court in 2017. Prior to becoming a judge, she was a partner with the law firm of Latham & Watkins, after briefly serving as an assistant U.S. attorney in the Southern District of California from 2002 to 2003.

Guerrero has contributed many hours of pro bono work, including as a member of the Advisory Board of the Immigration Justice Project, the governor said. The chief justice of California named her to the Blue Ribbon Commission on the Future of the California Bar Exam, and Guerrero has been active in the "Judges in the Classroom" civics program.

The nomination must be submitted to the State Bar's Commission on Judicial Nominees Evaluation and confirmed by the Commission on Judicial Appointments, which consists of Chief Justice Tani Cantil-Sakauye, Attorney General Rob Bonta, and Senior Presiding Justice of the state Court of Appeal Manuel A. Ramirez.

The compensation for a California Supreme Court justice is \$274,732 plus benefits.

Cuéllar, who left to become the new president of the Carnegie Endowment for International Peace, was nominated by Governor Jerry Brown in 2014. The six current justices are Chief Justice Cantil-Sakauye (nominated by Governor Arnold Schwarzenegger), Justice Carol Corrigan (nominated by Schwarzenegger), Justice Goodwin Liu (nominated by Governor Jerry Brown), Justice Leondra Kruger (nominated by Brown), Justice Joshua Groban (nominated by Brown), and Justice Martin Jenkins (nominated by Newsom).

## **Legislative Election Results:** **One Assembly Vacancy Filled, Four Still Remain**

In low-turnout special elections held February 15 a Los Angeles area Assembly district vacancy was filled and a San Francisco district moved one step closer as the field of candidates was narrowed to two.

The Los Angeles election was for Assembly District 49, which was left vacant following Assembly Member Ed Chau's appointment to the Los Angeles Superior Court. Mike Fong, a Democratic member of the City of Alhambra Transportation Commission, faced off against Burton Brink, a retired Los Angeles County Sheriff's Department deputy. Fong received 68 percent of the vote and will serve out the rest of Chau's term in the Assembly.

Only 34,000 ballots were cast in Los Angeles, representing approximately 14 percent of registered voters.

In San Francisco, four candidates – all Democrats – were vying to fill the vacancy left when Assembly Member David Chiu resigned in October to become San Francisco's city attorney.

The candidates included San Francisco Supervisor Matt Haney, former Supervisor David Campos, entrepreneur Bilal Mahmood, and Thea Selby, a member of the San Francisco Community College Board. Haney and Campos finished as the top two candidates, receiving 37 percent and 35 percent of the vote, respectively. Because neither received more than 50 percent of the vote, the two will face each other in an April runoff election.

Special elections will be held later this year to fill the remaining terms of former Assembly Members Autumn Burke, Jim Frazier, and Lorena Gonzalez. All 80 seats in the Assembly also will be up for election in the June primary and November general election, for the full two-year terms that officially begin in December.

## Assessors:

### San Francisco Assessor Torres Elected With 99 Percent of the Vote

San Francisco Assessor-Recorder Joaquín Torres, appointed one year ago to fill a vacancy in the office, was given a strong vote of confidence February 15 when voters elected him to the office with 99.94 percent of the vote.



Torres was appointed by Mayor London Breed after Assessor-Recorder Carmen Chu left to become San Francisco's city administrator. Torres previously served as director of the Office of Economic and Workforce Development.

The official write-in candidate, Michael Petrelis, received just 53 of the 85,952 votes cast. Write-in votes for candidates who were not officially qualified as write-in candidates – and thus could not be elected – accounted for another 310 votes. Preliminary vote totals indicated that more than 44,000 people skipped the assessor question but voted on other issues on the same ballot.

Petrelis, a local activist, said on social media that he ran against Torres because “the last thing local democracy needs is a 1-candidate race,” adding: “Soviet style races are a blot of shame in need of erasing. Challengers for all races needed!”

Turnout for the consolidated election was low, with only 130,000 ballots received – 26 percent of San Francisco's registered voters.

The main focus of the election was the recall of three San Francisco School Board members. Voters overwhelmingly voted in favor of recalling the three school board members, with “aye” votes ranging from 72 percent to 78 percent. The recalls were launched by parents who were frustrated by the School Board's decision to recommend the renaming of 44 schools – including schools named in honor of Presidents Abraham Lincoln and George Washington – rather than focusing on trying to reopen schools for in-person education.

The ousted School Board members can be replaced by mayoral appointments 10 days after the election is officially accepted by the Board of Supervisors.

## Local Taxes:

### San Diego City Council Reduces Cannabis Tax

The San Diego City Council voted February 15 to reduce the city's cannabis production taxes. The 6-3 vote will lower the tax rate on production facilities, including indoor cannabis farms and factories that manufacture cannabis edibles, from 8 percent to 2 percent.

Voters approved San Diego’s cannabis tax structure in 2016 as Measure N. That measure gave the council the discretion to change the tax.

Proponents of the tax reduction said it is needed to combat the growing cannabis black market and allow local businesses to survive.

“We owe it to our local business owners and those operating legal businesses to have the chance to compete right here in the city,” Council Member Raul Campillo said.

The San Diego budget analyst estimated that the city will lose \$2 million to \$4 million in annual revenue through the tax reduction.

In a separate 7-2 vote, the council approved a new annual fee of \$20,802 for all San Diego cannabis businesses.

In other local tax news:

**Suit Challenges Livermore Parcel Tax Measure.** Residents of the Livermore Valley Joint Unified School District are challenging a parcel tax measure slated for a May 3 special election, arguing that the ballot description is erroneous and misleading.

The measure would impose a \$138-per-parcel tax, costing taxpayers in the district \$4 million annually. The parcel tax, which provides funding for various school services, was first approved by voters in 2004 and has been extended twice. The school district called a May special election to reauthorize the parcel tax a third time, this time for seven years.

The Alameda County Taxpayers Association challenged the ballot description, which states that the measure would “renew expiring local school funding without increasing taxes.”

Marcus Crawley, head of the association, explained: “They say, ‘We’re just extending the existing tax.’ Well, they’re not extending the existing tax. The existing tax expires, and then it’s over with. So this is a new tax, and they weasel around in a number of different ways to avoid saying this is a new tax.”

The suit asks the court to halt the May election and have the ballot language amended.

Michelle Dawson, a spokesperson for the school district, said, “We are confident that the structure and process used to initiate the proposed ballot measure stands on solid legal ground.”

The public employee added, “It is unfortunate that our district will need to spend time, resources and taxpayer dollars to defend itself against claims we believe to be erroneous and unfounded.”

**New Local Charge Rate for San Francisco Retail Sales of Prepaid Mobile Telephony Services.** The California Department of Tax and Fee Administration this month [reminded taxpayers](#) that effective April 1, the new local charge rate for San Francisco retail sales of prepaid mobile telephony services is 15 percent, up from the current 14.8 percent.

## New Wine in Old Bottles: Recently Amended Bills

**Beverage Container Recycling Fee.** [SB 38](#) (Wieckowski), requiring beverage manufacturers to form a beverage container stewardship organization and establish a “stewardship fee” to be paid by organization members to help cover the costs of implementing the stewardship program, was amended February 15 to change the effective date to July 1, 2025 and sunset the program July 1, 2027. Vote: Majority.

**Budget Trailer Bills.** [AB 129](#) (Ting) through [AB 213](#) (Assembly Budget Committee) are spot bills to serve as placeholders for legislation relating to the 2022-23 state budget. Vote: Majority.

**Budget Trailer Bills.** [SB 128](#) (Skinner) through [SB 179](#) (Senate Budget and Fiscal Review Committee) are spot bills to serve as placeholders for legislation relating to the 2022-23 state budget. Vote: Majority.

## New Legislation: Recently Introduced Bills

*Today is the Legislature’s deadline for introducing legislation in the 2021-22 session. Bills introduced after publication of the CaTaxletter will be covered in the next issue.*

**Spot Bill Relating to Repaying Student Debt.** [AB 2018](#) (Santiago) is a spot bill that states the intent of the Legislature to establish the Student Debt Fund in the State Treasury with the purpose of providing grants to college graduates in California. Vote: Majority.

**Bans Single-Use Plastics for Shippers and Retailers.** [AB 2026](#) (Friedman) prohibits online retailers from using single-use plastic to package or transport products, on and after January 1, 2024, for large online retailers and on or after January 1, 2026, for small online retailers. Authorizes civil penalties for violations of these provisions, collected by the attorney general and deposited into the Plastic Packaging Reduction Penalty Account. The bill also establishes the At-Store Recycling Program, which requires businesses that offer single-use plastic carryout bags to offer an at-store recycling location. Vote: Majority.

**Employment Tax Credits for Food Service Workers.** [AB 2035](#) (Villapudua) authorizes employers in the food service industry to qualify for the California New Employment Credit, among other things. Vote: Two-Thirds (Tax Increase).

**Authorizes Fees for Bail Agents and Solicitors.** [AB 2043](#) (Jones-Sawyer) requires the state insurance commissioner to collect an annual fee of \$311 to file an application for a license to be a bail fugitive recovery person, bail agent, or bail solicitor. Authorizes a fee of \$624 for the application for a license for a bail permittee. Vote: Majority.

**Establishes California Housing Authority With Ability to Issue Revenue Bonds.** [AB 2053](#) (Lee) establishes the California Housing Authority with the purpose of eliminating the gap between housing production and regional housing needs. Authorizes the entity to issue revenue bonds to produce additional affordable housing and states the intent of the Legislature to enact a general obligation bond to finance the duties of the housing authority. Vote: Majority.

**Corporate Tax Exemption for Irrigation Businesses.** [AB 2054](#) (Quirk-Silva) provides a corporate tax exemption, between January 1, 2023, and January 1, 2028, for a mutual ditch or irrigation company that operates a public water system. Vote: Majority.

**Pilot Boat Surcharge.** [AB 2056](#) (Grayson) expands the types of costs that may be included when calculating a surcharge imposed on licensed bar pilots in specified waters of the San Francisco Bay Area, relating to recovering the costs of new pilot boats. Vote: Two-Thirds (Urgency).

**Prohibits Affordable Housing Impact Fees.** [AB 2063](#) (Berman) prohibits affordable housing impact fees, including inclusionary zoning fees, in-lieu fees, and public benefit fees, from being imposed on a housing development's density bonus units. Vote: Majority.

**Carryback Net Operating Loss Deductions.** [AB 2065](#) (Blanca Rubio) authorizes, for taxable years beginning January 1, 2023, a carryback net operating loss deduction for qualified businesses that completed a substantial sale of fixed assets or other property during a taxable year beginning on or after January 1, 2020, but before January 1, 2023. Vote: Majority.

**Contractor License Fee Reduction for Veterans.** [AB 2105](#) (Smith) requires the Department of Consumer Affairs to grant a 50 percent fee reduction for an initial contractor license to a former or current member of the U.S. military. Vote: Majority.

**Supply Chain Report.** [AB 2112](#) (Nguyen) requires the Legislative Analyst's Office to analyze regulations enacted on or after January 1, 2016, to December 31, 2022, that affect supply chain resilience in the state and submit its findings to the Legislature by 2024. Vote: Majority.

**Reduced Fees for Access to State Parks.** [AB 2128](#) (Cooley) in celebration of the date that California became a state, requires the Department of Parks and Recreation to offer a 50 percent discount on a variety of fees for the use of state parks on September 9, California Admission Day. Vote: Majority.

**Spot Bill Relating to Earthquake Insurance.** [AB 2129](#) (Carrillo) is a spot bill stating the intent of the Legislature to enact legislation relating to earthquake insurance. Vote: Majority.

**Information Security Compliance for State Agencies.** [AB 2135](#) (Irwin) requires state agencies that aren't under the direct authority of the governor to implement information security and privacy policies, standards, and procedures based upon standards issued by the National Institute of Standards and Technology and the Federal Information Processing Standards. State agencies would be required to certify annually that they are in compliance. Vote: Majority.

**PIT & Corporate Tax Exclusion for Turf Replacement.** [AB 2142](#) (Gabriel) provides a personal income and corporate tax exclusion, for taxable years between January 1, 2022, and January 1, 2027, for taxpayers and suppliers that participate in a turf replacement water conservation program. Vote: Majority.

**Booking Fees for Sex Crime Arrests.** [AB 2151](#) (Rodriguez) requires a person arrested for an offense as a sex purchaser to be liable to the arresting agency for booking costs. Vote: Majority.

**Authorizes Additional Responsibilities and Powers for CIGA.** [AB 2154](#) (Cooley) authorizes the California Insurance Guarantee Association (CIGA), the agency responsible for covering the claims responsibilities of insolvent insurance companies, to issue bonds for insolvent member insurers writing homeowner and automobile insurance. Authorizes CIGA to levy an assessment on member insurers to pay the principal of, and interest on, the bonds

issued for that claims category. The assessment would be recouped through a surcharge on applicable policies. Vote: Two-Thirds (Tax Increase).

**Reduced Fees for Coastal Development.** [AB 2160](#) (Bennett) authorizes a city or county to waive or reduce fees related to coastal development. Vote: Majority.

**Changes to Gubernatorial Recall Procedures.** [AB 2161](#) (Mayes) requires that in gubernatorial recall elections, a candidate to succeed the governor must submit signatures to qualify for the ballot, and no longer would have the option of paying a filing fee in lieu of submitting signatures. The bill additionally requires gubernatorial recall elections to be conducted using ranked-choice voting, with voters allowed to rank up to 10 candidates. The bill would be operative only if voters approve a constitutional amendment authorizing the changes. Vote: Majority.

**Appropriations and Fees Related to Disability Access.** [AB 2164](#) (Lee) expands the purpose of a state fund related to the Americans with Disabilities Act of 1990 and the California Building Standards Code to include providing financial assistance to small businesses for construction of physical accessibility improvements. The bill also repeals a business license fee decrease that is scheduled to take effect January 1, 2024 (the current \$4 fee is scheduled to be reduced to \$1, but would be maintained at \$4 indefinitely under this bill). Vote: Two-Thirds (Appropriation).

**Deferral of Fees Relating to Residential Development.** [AB 2179](#) (Grayson) prohibits a local agency that did not meet its regional housing needs from requiring the payment of developer fees until 20 years from the date of the final inspection or the date the certificate of occupancy is issued. Vote: Majority.

**Housing Development Impact Fee Waivers.** [AB 2186](#) (Grayson) establishes the Housing Cost Reduction Incentive Program with the purpose of reimbursing cities and counties for costs associated with waiving development impact fees. The bill authorizes grants to applicants in an amount equal to 50 percent of the amount of development impact fees waived or reduced for a qualified rental housing development. Vote: Majority.

**Establishes Office of Clean Energy Workforce.** [AB 2204](#) (Boerner Horvath) establishes the Office of Clean Energy Workforce to coordinate with relevant state agencies to track the progress of the state moving toward 100 percent clean energy and retraining workers for clean-energy jobs. Vote: Majority.

**Increased Fees for Credit Service Organizations.** [AB 2218](#) (Quirk-Silva) requires the Department of Financial Protection and Innovation to register and regulate credit services organizations, and authorizes the department to increase the amount of the fee it is authorized to charge for registration of credit services organizations. Vote: Majority.

**PIT and Corporate Tax Credit for Manufacturing Shipping Containers.** [AB 2227](#) (O'Donnell) establishes a personal income and corporate tax credit, for taxable years between January 1, 2022, and January 1, 2032, of 6 percent of the costs incurred in the manufacturing of intermodal equipment, aka shipping containers. Vote: Majority.

**Authorizes Civil Penalties Against PFAS Manufacturers.** [AB 2247](#) (Bloom) requires a manufacturer that sells and distributes materials containing perfluoroalkyl and polyfluoroalkyl substances (PFAS) to register the products on a publicly accessible platform and authorizes civil penalties against manufacturers who violate this requirement, up to \$2,500 a day. Vote: Majority.

**Cost Study on Ending Existing Offshore Oil Leases in the State.** [AB 2257](#) (Boerner Horvath) appropriates \$1,000,000 to commission a study on the fiscal impact of a voluntary buy-out of any existing offshore oil leases remaining as of January 1, 2023. Vote: Two-Thirds (Appropriation).



**Changes to Unclaimed Property Interest Assessments.** [AB 2280](#) (Reyes) establishes the California Voluntary Compliance Program for the purpose of resolving unclaimed property that is due and owing to the state under the Unclaimed Property Law. The bill additionally modifies the conditions under which the state may impose a \$10,000 limit on interest payments for unclaimed property. Vote: Majority.

**Wealth Tax.** [AB 2289](#) (Lee) imposes an annual “wealth tax” for taxable years beginning on or after January 1, 2023, and before January 1, 2025, at a rate of 1.5 percent of a resident’s worldwide net worth in excess of \$1,000,000,000, or in excess of \$500,000,000 in the case of a married taxpayer filing separately. For taxable years after January 1, 2025, imposes an annual tax of 1 percent on a resident’s worldwide net worth in excess of \$50 million, or \$25 million for a married taxpayer filing separately. The tax would apply to art and collectibles, real property, pension funds, financial assets held offshore, farm assets, mutual funds, index funds, and stocks, among other things. Authorizes penalties for understating net worth, and continues imposing the tax on former Californians for a period after they leave the state. Vote: Two-Thirds (Tax Increase).

**Increased Penalties for Repeat Retail Theft.** [AB 2294](#) (Jones-Sawyer) creates increased penalties for individuals with numerous retail theft charges, including the penalty of not being released after arrest; authorizes bench warrants when the defendant has failed to appear; and authorizes counties to create a diversion or deferred entry of judgment program for people who commit repeat theft offenses. Vote: Majority.

**Establishes the Coordinated Affordable Housing Finance Committee.** [AB 2305](#) (Grayson) establishes the Coordinated Affordable Housing Finance Committee, with representatives from the Department of Housing and Community Development, California Housing Finance Agency, California Tax Credit Allocation Committee, the state treasurer, and state controller. The bill requires the committee to allocate state-controlled resources for the finance of affordable rental housing through a single process and competition; authorizes the committee to adopt, amend, or repeal emergency rules and regulations to reach specified goals; and allows the committee to use state resources (e.g., tax credits) to finance affordable housing. Vote: Majority.

**Increased Fees Related to Speeding.** [AB 2336](#) (Friedman) establishes the Speed Safety System Pilot Program in Los Angeles, San Jose, and Oakland. The program would create a system of cameras and sensors that detect speeding infractions and would require a \$25 filing fee for an appeal challenging a notice of violation issued as a result of a speed safety system until January 1, 2028. Vote: Majority.

**Tax Rebates for Zero-Emission Vehicle Conversion.** [AB 2350](#) (Grayson) establishes the Zero-Emission Aftermarket Conversion Project, which would provide an applicant with a rebate for the conversion of a motor vehicle into a zero-emission vehicle. This program would be subject to an appropriation by the Legislature. Vote: Majority.

**Property Tax Exemption for Museums.** [AB 2363](#) (Bonta) provides that the existing property tax exemption for museums extends to specified property that a museum makes available for special events. Vote: Majority.

**PIT Credit for Employee Wages.** [AB 2378](#) (Irwin) authorizes a personal income tax credit, for taxable years between January 1, 2023, and January 1, 2028, against the net tax of a qualified taxpayer not to exceed \$6,000 for each taxable year. A “qualified taxpayer” is an employee hired after January 1, 2023, and who is a vocational rehabilitation referral, qualified Supplemental Security Income (SSI) recipient, or qualified Social Security Disability Insurance (SSDI) recipient. Vote: Majority.

**Bonds for Water Projects.** [AB 2387](#) (Eduardo Garcia) establishes the Safe Drinking Water, Wildfire Prevention, Drought Preparation, Flood Protection, Extreme Heat Mitigation, and Workforce Development Bond Act of 2022. If approved by voters, the measure would authorize the issuance of \$7.43 billion in general obligation bonds to

finance projects related to safe drinking water, drought preparation, flood protection, and other efforts. If approved by the Legislature, the bond would be submitted to voters on the June 7, 2022, ballot. Vote: Two-Thirds (Urgency).

**Fees Related to Driving Schools.** [AB 2388](#) (Villapudua) authorizes several changes to the requirements of residents to receive a driver's permit. The bill also authorizes the Department of Motor Vehicles to charge a driving instruction school a fee not to exceed \$1 for each driver education or driver training certificate issued. Vote: Majority.

**Financial Assistance for Qualified Small Businesses.** [AB 2400](#) (Cervantes) establishes the Capital Access Loan Program for Small Businesses to help qualified small businesses access state capital. Vote: Majority.

**Reallocates Federal Infrastructure Funding.** [AB 2419](#) (Bryan) requires that 40 percent of the funding received under the federal Infrastructure Investment and Jobs Act be allocated to projects that provide direct benefits to disadvantaged communities, and a minimum of an additional 10 percent be allocated for projects that provide direct benefits to low-income households and low-income communities. Establishes the Justice40 Oversight Committee to oversee the allocation of funding to disadvantaged communities. Vote: Majority.

**Increased Fees for Registering Credit Service Organizations.** [AB 2424](#) (Blanca Rubio) among other things requires the Department of Financial Protection and Innovation to register credit service organizations. The bill also authorizes the department to periodically increase the registration fee – currently capped at \$100 – for credit service organizations. Vote: Majority.

**Increased Transparency for Development Fees.** [AB 2428](#) (Ramos) amends the Mitigation Fee Act, which requires a local agency that establishes, increases, or imposes a fee as a condition of approval of a development project to determine a relationship between the fee's use and the development project. This bill requires that development fees be put into an escrow account and be expended within five years. If the fee is not expended within five years, it must be returned to the developer. Vote: Majority.

**Requires Bonds for Judicial Review Under CEQA.** [AB 2445](#) (Gallagher) requires an individual seeking judicial review over a California Environmental Quality Act (CEQA) filing to post a bond of \$500,000 to cover the costs and damages to the affordable housing project incurred by the interested party. Vote: Majority.

**Deferred Loans for Housing Development Intended for Homeless and Elderly.** [AB 2483](#) (Maienschein) requires the Department of Housing and Community Development to offer “priority points” on deferred payment loans to Multifamily Housing Program project applicants who agree to set aside at least 25 units for individuals who are either experiencing homelessness or are qualified based on old age. Vote: Majority.

**Authorizes Sponsorship Fees for Agricultural Associations.** [AB 2487](#) (Gray) authorizes an “agricultural association” to pay an unspecified sponsorship fee to join and participate in the affairs of any organization that deals with agricultural products or hosts fairs. Vote: Majority.

**Spot Bill Relating to the Sale of Consumer Data.** [AB 2488](#) (Irwin) is a spot bill stating the intent of the Legislature to enact legislation regulating the sale of personal consumer data. Vote: Majority.

**Authorizes Payments to Organ Donors.** [AB 2504](#) (Kalra) establishes the Living Organ Donor Reimbursement Program, which would reimburse living organ donors for financial losses incurred during the procedure and recovery, including travel and lodging expenses, lost wages, child care costs, and medication costs. The bill also authorizes the state controller to accept donations to the fund. Vote: Majority.

**Removes Cannabis Cultivation Tax, Increases Cannabis Excise Tax.** [AB 2506](#) (Quirk) suspends the imposition of the cannabis cultivation tax for taxable years between July 1, 2023, and July 1, 2028. For the same taxable years, the

bill increases the cannabis excise tax by an additional percentage. Vote: Two-Thirds (Amends Adult Use of Marijuana Act).

**Spot Bill Related to Financing Universal Afterschool Programs.** [AB 2507](#) (McCarty) is a spot bill stating the intent of the Legislature to finance universal afterschool programs for grades 7 to 12. Vote: Majority.

**Vehicle Registration Fee Exemption for Specified Veterans.** [AB 2509](#) (Fong) exempts Purple Heart recipients from vehicle registration fees associated with retaining a special license plate. Vote: Majority.

**Spot Bill Relating to Construction Defect Insurance.** [AB 2513](#) (Grayson) is a spot bill stating the intent of the Legislature to incentivize the construction of housing by addressing the costs of insurance coverage related to construction defect liability. Vote: Majority.

**Campaign Statement Requirements for Elected Officers.** [AB 2528](#) (Bigelow) requires elected officers who are not currently required to file a campaign statement or other related document with the secretary of state, to file a campaign statement or other related document. The filing would be required to be available to the public through online filing systems with the secretary of state. Vote: Two-Thirds (Amends Political Reform Act of 1974).

**Requires State Agencies to Update Scoping Plan Compliance Annually.** [AB 2532](#) (Bennett) requires each state agency, board, or department to update its compliance to greenhouse gas emission goals on March 1, 2023, and update its compliance annually. Vote: Majority.

**Spot Bill Relating to Political Reform Act.** [AB 2544](#) (Mayes) is a spot bill stating the intent of the Legislature to enact legislation amending the Political Reform Act of 1974. Vote: Majority. (**CaTax:** If the bill is amended with substantive provisions to amend the Political Reform Act, it will require a two-thirds vote.)

**Competitive Grants for Housing Elderly Homeless Individuals.** [AB 2547](#) (Nazarian) establishes the Housing Stabilization to Prevent and End Homelessness Among Older Adults and People with Disabilities Program, which would provide competitive grants to entities that offer a housing subsidy program to qualified applicants. Vote: Majority.

**Fees for Mobile Fuel On-Demand Trucks.** [AB 2563](#) (Quirk) requires air pollution control boards to establish a uniform permit program for mobile fueling on-demand tank vehicle operation. The bill also establishes an expedited permit review and fee schedule for these operations. Vote: Majority.

**Fees Related to the Licensure of Drug Abuse Counselors.** [SB 992](#) (Melendez) requires the State Department of Public Health to establish regulations and standards for licensing substance use disorder counselors, and authorizes the department to charge fees for the licenses. Vote: Majority.

**Zero-Emission State Vehicle Fleet.** [SB 1010](#) (Skinner) requires that by December 31, 2035, all state fleet vehicles with a gross weight over 19,000 pounds must be zero-emission vehicles. Additionally, by the 2029-30 fiscal year, all light-duty vehicles purchased for the state fleet must be zero-emission vehicles. Vote: Majority.

**PIT and Corporate Tax Credit for Blood Donation Facilities.** [SB 1025](#) (Bates) establishes a personal income and corporate tax credit, not to exceed \$10,000, for nonprofit blood bank organizations for taxable years between January 1, 2022, and January 1, 2027. Vote: Majority.

**Lowers Fees Associated With Inactive Healing Arts License.** [SB 1031](#) (Ochoa Bogh) requires the renewal fee for an inactive healing arts license to be half the amount of the fee for a renewal of an active license. Vote: Majority.

**Extends Sales and Use Tax Exemption to Specified Thrift Stores.** [SB 1041](#) (Atkins) extends indefinitely an expiring sales and use tax exemption for thrift stores that operate at military facilities or provide financial, educational, and other assistance to members of the U.S. armed forces. Vote: Majority.

**Prohibits Retailers From Distributing Specified Plastic Bags.** [SB 1046](#) (Eggman) prohibits a store from providing customers with a “precheckout bag” – a bag provided to a customer before the customer reaches the point of sale, designed to protect a purchased item from damaging or contaminating other purchased items, or to contain an unwrapped food item – if the bag is not compostable or made of recycled paper. Vote: Majority.

**New Toll Bridge in Sonoma.** [SB 1050](#) (Dodd) establishes the SR-37 Toll Authority with the authority to operate and maintain toll-collection infrastructure and collect tolls for the use of the Sonoma Creek Bridge. Vote: Two-Thirds (Appropriation).

**Property Tax Exemption for Disabled Veterans.** [SB 1073](#) (Grove) provides a partial property tax exemption for disabled veterans. Vote: Majority.

**Discontinues Cannabis Cultivation Tax and Increases Cannabis Excise Tax.** [SB 1074](#) (McGuire) discontinues the imposition of the cannabis cultivation tax beginning January 1, 2022, and increases the cannabis excise tax by a percentage determined by the Department of Finance to generate revenue equivalent to the amount lost to the cultivation tax reduction. Vote: Two-Thirds (Amends Adult Use of Marijuana Act).

**Fees Relating to Lead-Based Construction.** [SB 1076](#) (Archuleta) requires the State Department of Public Health to amend its regulations governing lead-related construction work, including training and certification for workers and accreditation for trainers in lead-safe work practices, and requires the adoption of regulations to establish fee provisions for those certifications and accreditations. Vote: Majority.

**Changes to Bankruptcy Procedures.** [SB 1099](#) (Wieckowski) changes several procedures relating to bankruptcy, including prohibiting tax-defaulted property interest rates from exceeding 10 percent for purposes of an administrative hearing or any claim in a bankruptcy proceeding pertaining to the property being redeemed. Vote: Majority.

**Establishes the Office of Freight.** [SB 1104](#) (Gonzalez) establishes the Office of Freight within the Governor’s Office of Business and Economic Development (GO-Biz). The new office would serve as “the coordinating entity to steer the growth, competitiveness, and sustainability for freight and ports across the state.” The bill also requires the new office to submit a report to the Legislature by December 31, 2024, on the economic condition of ports in the state. Vote: Majority.

**Increased Penalties for Shoplifting and Theft.** [SB 1108](#) (Bates) reinstates a provision of law repealed by Proposition 47 that provides that a person who has been convicted three or more times of petty theft, grand theft, or other specified crimes is subject to imprisonment not to exceed a year. Vote: Majority.

**Spot Bill Related to Transportation Funding.** [SB 1121](#) (Gonzalez) is spot bill that states the intent of the Legislature to determine the level of government-provided capital and operating expenditures to meet the state’s transportation needs for the next 10 years. Vote: Majority.

**Fees Related to Election Worker Confidentiality.** [SB 1131](#) (Newman) eliminates existing requirements to post the names of poll workers and establishes several confidentiality protection measures for election workers. The bill authorizes the secretary of state to impose a fee on poll workers who choose to have their addresses kept confidential, at an amount not to exceed the cost of operating the confidentiality program. Vote: Majority.

**Removes Future Inflation Adjustments for Gas Tax.** [SB 1156](#) (Grove) permanently eliminates annual inflation adjustment requirements for the tax on gasoline and diesel fuel, beginning with the 2022 fiscal year. Vote: Majority.

**Requires Retail Electricity Suppliers to Disclose Greenhouse Gas Emissions.** [SB 1158](#) (Becker) among other things requires retail suppliers of electricity to disclose a portion of their resource adequacy requirements that were met with capacity from eligible renewable energy or other zero-carbon resources and total annual greenhouse gas emissions associated with all electricity used to serve the “retail load” beginning January 1, 2025. Vote: Majority.

**Repeals and Replaces Uniform Principal and Income Act.** [SB 1159](#) (Jones) replaces the Uniform Principal and Income Act with the Uniform Fiduciary Income and Principal Act. Vote: Majority

**Requires Private Employers to Disclose Pay Data.** [SB 1162](#) (Limón) requires private employers with 100 or more employees, including those hired through labor contractors, to annually submit a pay data report to the Department of Fair Employment and Housing. The department would be required to publish each private employer’s pay data report on a website available to the public. The pay data report is required to include the median and mean hourly rate for each combination of race, ethnicity, and sex within each job category. The bill also allows a court to impose a civil penalty up to \$100 per employee on any employer who fails to file the required report, increasing to \$200 per employee for a subsequent failure to file the report. Vote: Majority.

**State Highway Spot Bill.** [SB 1169](#) (Hueso) is a spot bill that states the intent of the Legislature to enact legislation to convert State Highway Route 125, the South Bay Expressway, from a toll road to a toll-free road. Vote: Majority.

**Prohibits State Pension Funds from Investing in Fossil Fuel Companies.** [SB 1173](#) (Gonzalez) prohibits the boards of the California Public Employees’ Retirement System and the State Teachers’ Retirement System from making new investments or renewing existing investments of public employee retirement funds in a fossil fuel company. The bill additionally requires the boards to liquidate investments in fossil fuel companies on or before July 1, 2027, and provide an annual report starting February 1, 2024, that contains a list of fossil fuel companies from which the boards have liquidated their investments. Vote: Majority.

**Transportation Spot Bill.** [SB 1175](#) (McGuire) is a spot bill that states the intent of the Legislature to enact subsequent legislation relating to transportation. Vote: Majority.

**Authorizes Creation of the Burbank-Glendale-Pasadena Regional Housing Trust.** [SB 1177](#) (Portantino) creates a new joint powers authority by the cities of Burbank, Glendale, and Pasadena with the stated purpose of funding housing to assist the homeless population and low- and moderate-income individuals and families. The bill also authorizes the joint powers authority to fund the planning and construction of housing, receive public and private financing and funds, and authorize and issue bonds. Vote: Majority.

**Prohibits Sale of Hydrofluorocarbons.** [SB 1206](#) (Skinner) prohibits a person from offering for sale or distribution, or otherwise entering into commerce in the state, bulk hydrofluorocarbons or bulk blends containing hydrofluorocarbons that exceed a specified global warming potential limit, beginning January 1, 2025. Vote: Majority.

**Greenhouse Gas Emissions Spot Bill.** [SB 1230](#) (Limón) is a spot bill that states the intent of the legislature to enact legislation that would implement measures and programs that achieve the 2030 greenhouse gas reduction targets for the transportation sector and that would minimize increases in greenhouse gas emissions in the electric power sector from transportation electrification. Vote: Majority.

**Requires Waiver of Renewal Fees for Active-Duty Military.** [SB 1237](#) (Newman) requires state professional licensing boards to waive the renewal fee of any licensee or registrant who is called to active duty as a member of



the U.S. armed forces or the California National Guard if the licensee or registrant is stationed outside of California.  
Vote: Majority.

**Residential Property Insurance Spot Bill.** [SB 1246](#) (Stern) is a spot bill that states the intent of the Legislature to enact legislation to establish affordable homeowners' insurance policies for homeowners who live in high fire threat areas of the state. Vote: Majority.

**Changes to Wildfire Funding.** [SCA 8](#) (Nielsen) requires the state treasurer to annually transfer an amount equal to 1 percent of specified state revenue from the general fund to the California Fire Response Fund. Vote: Two-Thirds (Constitutional Amendment).

## Waste, Fraud & Mismanagement: Highway Patrol Officers Charged With Overtime Fraud

The California Department of Justice announced February 17 that 54 former and current California Highway Patrol (CHP) officers have been charged in connection with an alleged overtime fraud scheme that reportedly cost the taxpayers \$226,556.

The charges are the result of an internal criminal investigation by the CHP into whether officers in the East Los Angeles station exaggerated the number of overtime hours they worked. The officers face a total of 302 counts, including charges of grand theft and the presentation of a fraudulent claim.

A felony complaint against two of the officers states: "The alleged offenses were not discovered earlier because the supervisors who would have been the ones to report these activities were also committing the fraud. Moreover, the fraud typically took place during graveyard hours, which was outside of the normal working hours of office managers."

In May 2018, the CHP launched an investigation into overtime fraud that allegedly occurred between January 1, 2016, and March 31, 2018. During that period, multiple officers in the East Los Angeles station were suspected of recording additional overtime hours when they were assigned to provide protection detail for Caltrans workers through the Maintenance Zone Enhanced Enforcement Program or the Construction Zone Enhanced Enforcement Program. Investigators reported examples of officers allegedly filing for and receiving pay for eight hours of overtime after working just three to four hours in a construction zone detail.

"In addition to the main scheme, three of the former officers allegedly recorded fake hours worked patrolling High Occupancy Traffic Lanes," the Department of Justice stated in a press release. "To support their fraudulent overtime claims, they manufactured fake warnings and assistance given to drivers."

The state filed charges at the beginning of February, and the Los Angeles County Sheriff booked the officers this week. The state also refiled charges against nine defendants who were the subject of a previous complaint filed in July 2021. Arraignments for all 54 defendants are scheduled for March 17 and March 18 in Los Angeles County Superior Court.

Separate from this investigation, two of the 54 defendants were arraigned in May 2021 on charges of conspiracy and three counts each of accepting a bribe in connection with a bribery scheme. The duo allegedly accepted bribes in exchange for falsifying documents to register exotic vehicles.



## Potpourri:

### Senator Steve Glazer Considering Run for State Controller

State Senator Steve Glazer announced this week that he is considering running for state controller.

Glazer, who has represented a district in Alameda and Contra Costa counties since 2015, wrote in a letter to supporters: "I am taking the next few weeks to delve deeper into the job, the dynamics of a short campaign (June primary), and feedback from friends and supporters."

Glazer added: "Part of the reason that members of my own party are uncomfortable with me is because I see the spending of every tax dollar as critically important not just in delivering the best services for the money but because the wise stewardship of our tax dollars is the foundation upon which we built public trust."

The former advisor to Governor Jerry Brown would be the fifth major candidate in the race to succeed Controller Betty Yee, who is ineligible to run for re-election due to term limits. Those already in the race are State Board of Equalization Chair Malia Cohen, Los Angeles City Controller Ron Galperin, Monterey Park Mayor Yvonne Yiu, and policy advisor Lanhee Chen. All but Chen are Democrats.

The top two vote-getters in the June 7 primary will advance to the November election.

**Orange County Taxpayers Association President Is Retiring.** The Orange County Taxpayers Association (OCTax) this week announced the retirement of longtime Chief Executive Officer and President Carolyn Cavecche, effective March 1.

"Orange County taxpayers, and by extension, California taxpayers have been well served by Carolyn's ardent advocacy for fair, sound tax policies," OCTax Chair Trevor O'Neil said. "Her natural ability to build consensus throughout Orange County and across party lines made Carolyn an especially great asset in battles to protect Prop 13 and defeat unjustified tax increases."



Cavecche assumed the leadership of OCTax in 2012. She previously served six years as the directly elected mayor of the City of Orange, and also served almost six years as a member of the Orange City Council.

"When I assess the balance of my tenure at OCTax, I can say without reservation that I am proud of the impact we made together, working with community members, organizations, elected leaders and support staff to advance taxpayer protections," Cavecche said. "OCTax's work is never done. As we speak, there are ongoing efforts to remove protections from California's taxpayers during the upcoming 2022 election. I may not be at the forefront of the fight anymore, but I leave behind a strong organization to a very capable Board of Directors, one that I know will select a leader to guide OCTax to future successes. I am excited to see this organization continue to thrive and thankful to have been entrusted with its care."

Founded in 1986, OCTax is a nonpartisan, nonprofit organization with a mission to help ensure taxes and tax-supported programs are fair, understandable, cost-effective, and good for the economy.

**California Moves COVID-19 From Pandemic to Endemic Status.** California is now treating COVID-19 as an endemic rather than a pandemic, Governor Gavin Newsom announced February 17.

"We are moving past the crisis phase into a phase where we will work to live with this virus," Newsom said.

**FTB Releases Technical Advice Memorandum.** The Franchise Tax Board on February 15 released [Technical Advice Memorandum 2022-01](#), on the issue of “determining whether the protections of 15 U.S.C. Sections 381-384 (Public Law 86-272) apply to fact patterns that are common in the current economy due to technological advancements for purposes of California income and franchise tax.”

The five-page memorandum presents several hypothetical fact patterns and provides the FTB’s interpretation of how the law applies to each. For all of the examples, the hypothetical business at issue makes sales to California customers, is commercially domiciled outside of California, and has no other activities in California other than those mentioned in the examples. The general analysis, the FTB stated, is whether there are business activities taking place in California, and whether those activities exceed the protection of Public Law 86-272 such that the business becomes subject to California income or franchise tax.

**CDTFA’s Culver City Office Closes February 28.** At 5 p.m. on February 28, the California Department of Tax and Fee Administration is permanently closing its office located at 5901 Green Valley Circle, Suite 200, in Culver City. The [agency indicated](#) that it plans to establish another office in the area.

**Legislative Advocate Dave Ackerman Passes Away.** Dave Ackerman, a Sacramento lobbyist for more than 30 years before retiring in 2015, passed away recently at the age of 75, his former business partners at The Apex Group announced this week.

Ackerman started his career in the 1970s as chief of staff for Assembly Member Frank Lanterman, and later worked as chief of staff for Lieutenant Governor Mike Curb and as undersecretary for transportation under Governor George Deukmejian. He later served as a vice president and legislative advocate for the California Chamber of Commerce and as a lobbyist for the Associated General Contractors of California, and eventually partnered with lobbyist Paul Gladfelty to form The Apex Group. He was particularly active in working on several voter-approved ballot measures that generate funds for transportation.

## Tax Trivia:

### President George Washington Quashed a Rebellion Focused on What Tax?

Roughly two years after being becoming the first chief executive of the United States, President George Washington formed a federal militia to stop a violent protest against a federal tax on \_\_\_\_\_?  
(Answer on the last page.)

## Blast From the Past:

### Warren Harding Is First President to File an Income Tax Return

“Internal Revenue Collector Newton Miller had the first income tax return ever filed by a President of the United States today. Marion [Ohio], President Harding’s home town, is in the jurisdiction of the Columbus district so the chief executive mailed his return here. Up until a year ago, the President of the United States was exempt from the income tax. Congress amended the law then making the income of the executive liable to taxation.”

— A story from *The Associated Press* published in *The Fresno Morning Republican*, March 15, 1923.

## Coming Up:

# Presidents' Day, Legislative Committees Convene, State Board of Equalization Meets, Office of Tax Appeals Conducts Hearings

## Monday, February 21

### **PRESIDENTS' DAY**

Nationwide, all day.

Subject: Most schools and government offices are closed in observance of Presidents' Day. (**CaITax:** [History.com](https://www.history.com) notes: "Presidents' Day never falls on the actual birthday of any American president. Four chief executives – George Washington, William Henry Harrison, Abraham Lincoln and Ronald Reagan – were born in February, but their birthdays all come either too early or late to coincide with Presidents' Day, which is always celebrated on the third Monday of the month.")

## Tuesday, February 22

### **ASSEMBLY BUDGET SUBCOMMITTEE ON EDUCATION FINANCE HEARING**

State Capitol, Room 444, 9 a.m.

Agenda: Budgets for K-12 schools and early education.

### **SENATE BUDGET AND FISCAL REVIEW SUBCOMMITTEE ON CORRECTIONS, PUBLIC SAFETY, JUDICIARY, LABOR AND TRANSPORTATION HEARING**

State Capitol, Room 4203, 9 a.m.

Subject: Budgets for the Department of Transportation, the Department of Motor Vehicles, the High-Speed Rail Authority, and other entities.

### **ASSEMBLY BUDGET SUBCOMMITTEE ON STATE ADMINISTRATION HEARING**

State Capitol, Room 444, 1:30 p.m.

Agenda: Budgets for the Employment Development Department, the Labor and Workforce Development Agency, and other departments.

### **SENATE BUDGET AND FISCAL REVIEW SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES HEARING**

State Capitol, Room 2040, upon adjournment of the Senate floor session.

Subject: Budget for the Department of Developmental Services.

## Wednesday, February 23

### **SENATE BUDGET AND FISCAL REVIEW SUBCOMMITTEE ON EDUCATION HEARING**

State Capitol, Room 3191, 9 a.m.

Subject: Budgets for the California community colleges, the University of California system, the California State University system, and other entities.

## **SENATE BUDGET AND FISCAL REVIEW SUBCOMMITTEE ON RESOURCES, ENVIRONMENTAL PROTECTION, AND ENERGY HEARING**

State Capitol, Room 4203, 9 a.m.

Subject: Budgets for the California Air Resources Board and the Environmental Protection Agency, and receipt of the 2021 Independent Emissions Market Advisory Committee Annual Report.

## **OFFICE OF TAX APPEALS CONDUCTS HEARINGS**

Conducted via teleconference, 9:30 a.m.

[Agenda](#): Three franchise and income tax appeals, including one on the issues of whether the Office of Tax Appeals has jurisdiction to decide whether 49 U.S.C. section 11502(a), a federal statute, preempts or otherwise prohibits California from taxing resident appellant-wife's community property share of nonresident appellant-husband's out-of-state railroad wages for the 2016, 2017, and 2018 tax years; and, if OTA has jurisdiction, whether California is preempted.

## **ASSEMBLY BUDGET SUBCOMMITTEE ON CLIMATE CRISIS, RESOURCES, ENERGY, AND TRANSPORTATION HEARING**

State Capitol, Room 127, 9:30 a.m.

Agenda: Budgets for the Department of Transportation, the Department of Motor Vehicles, the High-Speed Rail Authority, and other entities.

## **STATE BOARD OF EQUALIZATION MEETING**

Teleconference, 1-877-336-4440, access code: 4192718#, 10 a.m.

[Agenda](#) includes:

- Board discussion on "Emerging Issues Affecting Unitary Value Setting: Value Indicators and the Reconciliation Process."
- Staff presentations on capitalization rates and other factors affecting values of state-assessed properties.
- Staff reports on Proposition 19 implementation.
- Discussion and possible action to support AB 1206, the "Housing Justice Tax Equity Act," which proposes raising the property tax exemption threshold for community land trust properties.
- Discussion and possible action relating to installing links to online translation applications on the BOE's website.
- Discussion and possible action on the BOE's Strategic Plan, including provisions relating to "education and outreach," a branding campaign, and workload issues.
- A presentation by Los Angeles County Assistant Executive Officer Edward Yen and San Diego County Chief Deputy Clerk Ann Moore on the impact of public calamities on property tax administration.
- Closed session to discuss personnel matters.

## **SENATE BUDGET AND FISCAL REVIEW SUBCOMMITTEE ON STATE ADMINISTRATION AND GENERAL GOVERNMENT HEARING**

State Capitol, Room 2040, 1:30 p.m.

Subject: "All departments – open issues."

**SENATE BUDGET AND FISCAL REVIEW SUBCOMMITTEE ON CORRECTIONS, PUBLIC SAFETY, JUDICIARY, LABOR, AND TRANSPORTATION HEARING**

State Capitol, Room 4203, 1:30 p.m.

Subject: Budgets for the Office of Emergency Services, the Department of Justice, the California Highway Patrol, and the Board of State and Community Corrections.

**ASSEMBLY BUDGET SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES HEARING**

State Capitol, Room 444, 1:30 p.m.

Agenda: Budgets for the Department of Social Services and other departments and health agencies.

## Thursday, February 24

**STATE BOARD OF EQUALIZATION MEETING (POSSIBLE)**

Teleconference, 1-844-291-5490, access code: 5396408#, 10 a.m.

Agenda: "Items agendized for a previous day of this meeting, but not concluded, may be taken up today."

**SENATE BUDGET AND FISCAL REVIEW SUBCOMMITTEE ON RESOURCES, ENVIRONMENTAL PROTECTION, AND ENERGY HEARING**

State Capitol, Room 3191, upon adjournment of the Senate floor session.

Subject: Budgets for the California African-American Museum, Exposition Park, the State Lands Commission, the California Coastal Commission, and other entities.

**SENATE BUDGET AND FISCAL REVIEW SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES HEARING**

State Capitol, Room 4203, upon adjournment of the Senate floor session.

Subject: Budget for the Department of Health Care Services.

**The next issue of the *CalTaxletter* will be published February 25.**

**Tax Trivia Answer:** Distilled spirits. Forty percent (80 proof) credit awarded for “whiskey,” as the distillers of that beverage were the primary agitators in what became known as the Whiskey Rebellion.

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