



Contra  
Costa  
County

To: Board of Supervisors  
From: LEGISLATION COMMITTEE  
Date: June 9, 2015

Subject: SB 120 (Anderson) Sales and Use Taxes: First Responder Equipment

**RECOMMENDATION(S):**

ADOPT a "Support" position on SB 120 (Anderson), as amended: Sales and Use Taxes: First Responder Equipment, a bill that would, in the sale of any public safety first responder vehicle that is purchased by a local public agency and in the sale of any equipment required on a public safety first responder vehicle that is purchased by a local public agency, exclude from the terms "gross receipts" and "sales price," amounts of the gross receipts or sales price in excess of \$300,000, as recommended by the Legislation Committee.

**FISCAL IMPACT:**

Cost savings.

SB 120's exemption cuts costs for one branch of government, but reduces revenues for others. Since the sales tax is levied by the State, cities, and counties, any exemption from the tax means a loss in revenues to those entities. For example, if Fire District Z purchases a \$100,000 fire engine in neighboring City A, they will save \$7,500 in sales and use tax. City A, where the fire engine was sold, will lose approximately \$2,063. The county City A is in will lose \$1,000, and the State General Fund will lose \$4,438. In effect, the State, city, and county governments would help subsidize the purchase of a first responder vehicle.

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY ADMINISTRATOR

☐ RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **06/09/2015** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

**VOTE OF SUPERVISORS**

AYE: John Gioia, District I  
Supervisor  
Candace Andersen, District II  
Supervisor  
Mary N. Piepho, District III  
Supervisor  
Karen Mitchoff, District IV  
Supervisor

ABSENT: Federal D. Glover, District V  
Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: June 9, 2015

David Twa, County Administrator and Clerk of the Board of Supervisors

By: June McHuen, Deputy

Contact: L. DeLaney,  
925-335-1097

cc:



## BACKGROUND:

At its May 7, 2015 meeting, the Legislation Committee considered and accepted the recommendation from the Fire Chief to recommend a position of "Support" to the Board of Supervisors on SB 120.

Introduced: 01/15/2015

Last Amend: 05/06/2015

Disposition: Pending

Committee: Senate Appropriations Committee

Hearing: 05/18/2015 10:00 am, John L. Burton Hearing Room (4203)

Summary: Excludes, in the sale of any public safety first responder vehicle that is purchased by a local public agency and in the sale of any equipment on a public safety first responder vehicle that is purchased by a local public agency, from the terms gross receipts and sales price amounts of the gross receipts or sale price of an individual item in excess of a specified amount. Defines local public agency as a fire protection district or a fire department of a city, county, municipal corporation, or district.

Status:

05/18/2015 In SENATE Committee on APPROPRIATIONS: To Suspense File.

## Background and Existing Law

State law imposes a sales and use tax on the sale, storage, or use of tangible personal property unless exempted by state law. Generally, nonprofits, public agencies, and charities are subject to sales and use tax, unless otherwise exempted. Cities and Counties may increase the sales and use tax rate up to 2% as a transactions and use tax for either specific or general purposes with a vote of the people.

The current state sales and use tax rate on tangible personal property is 7.5% and is imposed as follows:

### Rate Jurisdiction Purpose/Authority

3.9375% State (General Fund) State general purposes

1.0625% Local Revenue Fund 2011 Realignment of local public safety services

0.25% State (Fiscal Recovery Fund) Repayment of the Economic Recovery Bonds

0.25% State (Education Protection Account) Schools and community college funding

0.50% State (Local Revenue Fund) Local governments to fund health and welfare programs

0.50% State (Local Public Safety Fund) Local governments to fund public safety services

1.00% Local (City/County) City and county general operations. Dedicated to county transportation purposes

0.75% City and County

0.25% County  
7.50% Total Statewide Rate

### Proposed Law

Senate Bill 120 exempts purchases in excess of \$300,000 of public safety first responder vehicles, and any required equipment on those vehicles, from sales and use taxes.

The bill defines "local public agency" as a city, county, municipal corporation, district, or public authority located within this state which provides or may provide first responder emergency services.

This measure does not reimburse local governments for the sales tax loss. As a tax levy, SB 120 takes effect immediately, but shall not become operative until the first day of the calendar quarter commencing more than 90 days after the effective date of this act.

### State Revenue Impact

The Board of Equalization (BOE) estimates that this bill would result in an annual sales and use tax loss of \$3 million. This estimate only takes into account purchases of first responder vehicles (fire and ambulance) and any equipment required on those vehicles.

### Comments

1. Purpose of the bill. According to the author, "Our local government first responders are on the front lines ensuring public safety in our communities. Their efforts are funded with the tax dollars of hard-working families. Taxpayers expect the taxes they pay to fund first responder services go directly to ensuring public safety. This bill will ensure that our tax money is spent on providing the best public safety services possible to keep out communities safe by reducing government public safety first responder's state and local sales tax liability on emergency vehicles and related emergency equipment to the first \$300,000 of the sales price of an individual item."

2. Precedent. This bill sets a potentially dangerous precedent for extending a sales and use tax exemption to local government entities. This precedent is of concern for two reasons:

- \* additional exemptions will result in a greater overall reduction in sales tax revenues; and

- \* exempting local government entities from sales and use taxes has the potential to reallocate significant amounts of local sales tax revenue among the state's taxing jurisdictions. (See Comment #3)

3. Effect of Exemption. SB 120's exemption cuts costs for one branch of government, but

reduces revenues for others. Since the sales tax is levied by the State, cities, and counties, any exemption from the tax means a loss in revenues to those entities. For example, if Fire District Z purchases a \$100,000 fire engine in neighboring City A, they will save \$7,500 in sales and use tax. City A, where the fire engine was sold, will lose approximately \$2,063. The county City A is in will lose \$1,000, and the State General Fund will lose \$4,438. In effect, the State, city, and county governments would help subsidize the purchase of a first responder vehicle.

4. Let's get clear. SB 120 does not define "public safety first responder." Without a definition, a first responder could be almost anyone. For example, if a mountain lion is roaming city streets and animal control is called, animal control would be a public safety first responder, and therefore able to claim the sales and use tax exemption for the purchase of a new animal control vehicle. Additionally, SB 120 does not explicitly state if each transaction or each item over \$300,000 qualifies for the sales and use tax exemption. The Committee may wish to consider clarifying the bill's language to carry out the author's intent.

5. Related Legislation. Last year's SB 1367 (Anderson) contained provisions similar to this bill without the \$300,000 threshold. The bill failed passage out of this Committee.

Support and Opposition

(4/23/15)

Support: California State Firefighters' Association (CSFA); Fire Districts Association of California (FDAC); North Tahoe Fire Protection District.

Opposition: Unknown

CONSEQUENCE OF NEGATIVE ACTION:

Contra Costa County would not have a position on the bill.

ATTACHMENTS

Attachment A - Bill Text