
1977-78
FIRST EXTRAORDINARY SESSION

BILL CHAPTERS**Ch 1 (AB 7) Lockyer. State and local taxation.**

Under existing law, all property is taxable unless otherwise exempted. Presently, 50% of the assessed value of business inventories is exempt from property taxation. Procedures have been established for computing revenue losses caused by such exemption, and the state reimburses entities of local government in full for the amount of such losses.

This bill would increase such exemption in specified increments, annually, until 100% of the assessed value of business inventories is exempted for the 1982-83 fiscal year and thereafter.

Under existing law, local agencies receive a subvention from the state for revenues lost by reason of the exemption of such property through a continuous appropriation of money from the General Fund to the Controller to make such subventions. Any increase in such exemption affects the continuing appropriation.

This bill would increase the property tax exemption from business inventories, would affect the subventions to local agencies and would thus affect the continuing appropriation for such purpose. This bill would also limit the amount of such state subventions based on an inventory tax factor.

The bill would also exempt materials and supplies owned by a railroad and used in railroad operations from property taxation in specified increments, annually, until 100% of the assessed value of such materials is exempted for the 1982-83 fiscal year and thereafter. The bill would provide for claims by local agencies for property tax losses as a result of such exemption in the same manner as for fishing boats.

Existing California Sales and Use Tax Law imposes a state sales or use tax on the sale or use of tangible personal property in the state, unless such sale or use is exempted from such tax.

Moreover, counties, cities, and certain transit districts are authorized to impose local sales and use taxes in conformity with the state's taxes. Exemptions from state sales and use taxes enacted by the Legislature are automatically incorporated into the local taxes.

This bill would eliminate the exemptions on gold and silver bullion, dry ice for shipping and packing, and certain cargo containers, presently exempted under the Sales and Use Tax Law, thus subjecting such items to sales and use tax, and would increase the sales and use tax on certain vending machine items.

Under existing law, "items of tax preference" are defined as excess investment interest, certain deductions for depreciation, depletion allowances, stock options, capital gains, and reserves for bad debts, as computed for purposes of the Personal Income Tax Law or the Bank and Corporation Tax Law. Under such laws, items of tax preference are not included for purposes of computing the normal taxes, but such items are subject under both laws to a special minimum tax. Personal income is taxed at graduated rates ranging from 0.5% to 5.5% of preference income. Bank and corporation preference income is taxed at 2.5% after a \$30,000 exclusion.

This bill would increase the bank and corporation tax rate on preference income to 5%, except that the percentage depletion tax preference income in excess of \$30,000 with respect to oil and gas shall be taxed at the rate of 2½%.

Under existing Bank and Corporation Tax Law taxes are imposed according to, or measured by, net income, at the general rate of 9%, and at a rate not to exceed 13% with regard to banks, which is in lieu of other specified taxes.

This bill would increase the bank and corporation taxes by specified increments, would revise the in lieu provisions for banks, and would include financial corporations within those provisions. One-half of the funds resulting from such increase shall be transferred by the Controller from the General Fund to the Financial Aid to Local Agencies Fund, which would be created by the bill.

Existing Bank and Corporation Tax Law permits specified offsets against the franchise tax for financial corporations.

This bill would allow such offsets if not used, to be carried forward and used to offset taxes due during the income years 1980 through 1985.

The provisions of the bill would only become operative if the proposed constitutional amendment known as the "Jarvis-Gann Initiative" is rejected by the voters.

The bill would take effect immediately as an urgency statute, but would specify

various operative dates for its provisions.

RESOLUTION CHAPTERS

Res. Ch. 1 (SCR 1) Mills Joint Rules.

This measure would adopt the Temporary Joint Rules of the Senate and Assembly for the 1977-78 Regular Session, except Joint Rules 51, 55, 61, and portions of 62(a), as the Joint Rules of the Senate and Assembly for the 1977-78 First Extraordinary Session

Res. Ch. 2 (SCR 2) Mills. 1977-78 First Extraordinary Session

This measure would provide that the 1977-78 First Extraordinary Session of the Legislature adjourn sine die on April 24, 1978

CROSS REFERENCE TABLES

ASSEMBLY BILLS

Assembly Bill	Chapter
7	1

SENATE CONCURRENT RESOLUTIONS

Resolution	Chapter
1	1
2	2

BILLS VETOED BY THE GOVERNOR

None

STATUTORY RECORD

Sections affected by statutes enacted at the 1977-78 First Extraordinary Session are included in the 1969-1978 Statutory Record, beginning on page 000.

L

LEGISLATURE

adjournment sine die, *2*

joint rules: adoption, *1*

T

TAXATION

state and local, *1*

NOTE Citations are to chapter numbers, resolution chapters are indicated in italics