



world-class battery manufacturing ecosystem in tandem with Lithium production and processing right here in California.

This bill is supported by the CAEATFA chair, State Treasurer Fiona Ma, and various energy companies.

- 2) **CAEATFA SUT Exclusion.** As part of its duties to promote the creation of California-based manufacturing, California-based jobs, advanced manufacturing, the reduction of greenhouse gases and reductions in air and water pollution or energy consumption, CAEATFA administers a full SUT exclusion program for related projects. CAEATFA must evaluate project applications based on a variety of criteria, including the extent to which the project's benefit to the state equals or exceeds the benefit of the exclusion to the applicant. Aggregate SUT exclusions for approved projects may not exceed \$100 million per calendar year. Existing law also allows, until July 1, 2030, a manufacturing and research and development (MR&D) partial SUT exemption on tangible personal property (TPP) primarily used in MR&D or electric power generation, distribution or storage. The partial exemption applies only to the GF components of the statewide SUT rate (3.9375%) and is generally limited to \$200 million of TPP purchases by a qualified taxpayer in each calendar year.

This bill lifts the \$100 million limit on CAEATFA's SUT exclusion program to \$150 million. Although the author intends this bill to encourage the exploration and extraction of lithium deposits in California, this bill does not earmark any of the additional \$50 million for a particular purpose. Additional or expanded SUT exclusions further erode an already shrinking SUT base, which, in turn, increases pressure to increase California's relatively high SUT rate and reliance on personal income tax revenue. Full SUT exclusions also reduce local revenues used to provide vital public services.

- 3) **Related Legislation.** AB 1951 (Grayson) expands the MR&D SUT exemption by making the expenditure a full exemption and removing the \$200 million cap on qualifying purchases per individual purchaser. AB 1951 is pending hearing in this committee.

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