

As the Department of Finance notes in its annual Tax Expenditure Report, there are several key differences between tax expenditures and direct expenditures. First, tax expenditures are reviewed less frequently than direct expenditures once they are put in place, which may result in tax expenditures remaining part of the tax code without demonstrating any public benefit. Second, there is generally no control over the amount of revenue losses associated with any given tax expenditure. Finally, it should also be noted that, once enacted, it takes a two-thirds vote to rescind an existing tax expenditure, absent a sunset date.

- 3) **Scope of This Bill.** On September 23, 2020, Governor Newsom issued Executive Order (EO) N-79-20, declaring the “goal of the State that 100 percent of medium- and heavy-duty vehicles in the State be zero-emission by 2045 for all operations where feasible and by 2035 for drayage trucks.” Toward that goal, the Governor’s 2022-23 state budget proposal includes \$935 million to add 1,000 zero-emission drayage trucks and 1,700 zero-emission transit buses. This bill provides a partial SUT exemption for drayage trucks meeting emissions standards under the following programs: (a) California Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project, (b) Carl Moyer Memorial Air Quality Standards Attainment Program or (c) Volkswagen Environmental Mitigation Trust for California. By allowing an exemption for both zero- and *near-zero* emission drayage trucks, this bill differs in approach from that outlined in the EO. Additionally, while existing law contains a few examples of partial SUT exemptions, partial exemptions are complicated to administer and lead to increased processing errors for both taxpayers and tax collectors.

Analysis Prepared by: Irene Ho / APPR. / (916) 319-2081