

(Without Reference to File)

SENATE THIRD READING

SB 150 (Committee on Budget and Fiscal Review)

As Amended June 28, 2021

Majority vote. Budget Bill Appropriation Takes Effect Immediately

## SUMMARY

This trailer bill contains changes necessary to implement the 2021 Budget Act related to taxes.

### Major Provisions

- 1) *Menstrual and Diaper Tax Credit*. Extends indefinitely the sales and use tax exemptions for the sale of, or the storage, use, or other consumption of, diapers for infants, toddlers, and children and menstrual hygiene products. It further:
  - a) Requires the Department of Finance to estimate and the State Controller to transfer General Fund equal to the total dollar amount of revenues lost due to these exemptions that would have been sent to counties for public safety realignment to the Local Revenue Fund 2011;
  - b) Excludes this revenue loss from the calculation of state reimbursements to cities and counties under existing Bradley-Burns Uniform Local Sales and Use Tax Law;
  - c) Eliminates a requirement that the Legislative Analyst to submit a report by July 1, 200 relating to the effectiveness of the sale tax use exemptions;
- 2) *Main Street and Homelessness Hiring Tax Credits*. Expands the Small Business Hiring Credit in the following manner:
  - a) During 2021, a qualified small business employer may earn a tax credit of \$1,000 per qualified employee, up to \$150,000 in total;
    - i) These credits may be used to offset sales tax payments up until April 30, 2027; and
    - ii) A total of \$70 million is available for application on a "first-come-first-served" basis;
    - iii) Defines "qualified small business employer" as a taxpayer with 500 or fewer employees that demonstrate at least a 20 percent decline in gross receipts in at least time period comparison, as defined
  - b) For 2022-27, a credit of between \$2,500 and \$10,000 per employee is available to eligible employers that hire employees that are subject to certain conditions, including experiencing homelessness;
    - i) Up to \$30 million per year would be provided for this credit with total credits to not exceed \$30,000 per taxpayer; and
    - ii) A local continuum of care or a local community provided that is connected to a local information system would be required to certify that the employee meets the conditions of this hiring credit;

- iii) Defines "eligible employer" as a qualified taxpayer that pays eligible individuals at least 120% of California minimum wage, and provides a copy of the certification received for each eligible individual, upon request of the Franchise Tax Board (FTB).
- 3) *Donated Fresh Foods Tax Credit*. Extends the existing 15 percent tax credit for fresh fruit, vegetables, raw agricultural products and processed foods donated to a food bank until 2026;
- 4) *State Historic Tax Credit*. Extends the existing tax credit for the rehabilitation on certified historic structures until 2026;
- 5) *California Competes Tax Credit*. Increases the allocation for the CalCompetes tax credit by \$110 million for total of \$290 million available in the 2021-22 fiscal year. These funds will be distributed pursuant to the existing California Competes Tax Credit program;
- 6) *Pass-through Entity Elective Tax Credit*. Creates the "Small Business Relief Act" which allows for the elective payment of taxes based on the taxpayers net income for limited liability partnerships, limited liability companies, and "S" Corporations;
- a) The elective tax would be based on the net income for the taxable year;
- b) Allows a credit against the personal income tax that is a partner, shareholder, or member of an entity that elects to pay the elective tax, in an amount equal to a specified percentage of the partner's, shareholder's, or member's pro rata share or distributive share, as applicable, of income subject to the elective tax paid by the entity; and
- c) These provisions are in place until 2026 and are subject to rulemaking by the Franchise Tax Board;
- 7) *FTB and DHCS Data Exchange*. Requires the State Department of Health Care Services to exchange data with the Franchise Tax Board to allow the department and the board to assess the extent to which the department and the board can identify individuals enrolled in Medi-Cal who may be eligible for the CalEITC and the federal Earned Income Tax Credit; and
- 8) Provides for the reimbursement of mandated costs if determined by the Commission on State Mandates.

## COMMENTS

This is a budget bill within the overall 2021-22 budget package necessary to implement actions related to taxes.

### According to the Author

#### Arguments in Support

None on file.

#### Arguments in Opposition

None on file.

**FISCAL COMMENTS**

The provisions of this bill are expected to result in \$1.2 billion in General Fund revenue loss in 2021-22, decreasing in future years to \$585.6 million in 2022-23, \$536.9 million in 2023-24 and \$106.9 million in 2025-26. These revenue losses are assumed in the overall estimates of the 2021-22 budget package.

**VOTES****SENATE FLOOR: 29-8-2**

**YES:** Allen, Archuleta, Atkins, Becker, Bradford, Caballero, Cortese, Dodd, Durazo, Eggman, Glazer, Gonzalez, Hertzberg, Hueso, Hurtado, Laird, Leyva, McGuire, Min, Newman, Pan, Portantino, Roth, Rubio, Skinner, Stern, Umberg, Wieckowski, Wiener

**NO:** Bates, Dahle, Grove, Jones, Melendez, Nielsen, Ochoa Bogh, Wilk

**ABS, ABST OR NV:** Borgeas, Limón

**UPDATED**

VERSION: June 28, 2021

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