

Date of Hearing: April 27, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION
Mike Gipson, Chair

AB 2069 (Krell) – As Amended April 20, 2026

Majority vote. Tax levy. Fiscal committee.

SUBJECT: Sales and Use Tax Law: exemption: fairgrounds

SUMMARY: Provides, on or after January 1, 2027, and before January 1, 2032, a partial exemption under the Sales and Use Tax (SUT) Law for tangible personal property (TPP) purchased for use in the construction, development, or ongoing operation of a "qualifying project", as specified. Specifically, **this bill:**

- 1) Enacts the Fairground Act for Investment and Revitalization.
- 2) Contains the following legislative findings and declarations:
 - a) California fairgrounds are valuable public assets with facilities suitable for economic development;
 - b) Fairgrounds serve as critical sites for emergency and disaster response, community engagement, and regional events;
 - c) Encouraging private investment on fairground property can generate long-term revenue streams for fairground operations, create significant regional economic benefits, often in underserved communities, and also increase the state's overall economic output;
 - d) The high cost of construction, labor, utilities, and taxes has hindered development, resulting in lost opportunities;
 - e) A targeted SUT exemption to support public-private partnerships at state-recognized fairground properties would attract substantial private capital investment, provide fairgrounds with stable revenue streams, create jobs, and grow the state's economy; and,
 - f) A SUT exemption applying only to new developments will not reduce existing revenues, and stimulating new projects will generate net new economic activity benefiting the region and state.
- 3) Provides that the exemption shall not apply to any sale where the place of sale in this state is on or within the real property of a fair as described in Food and Agricultural Code Section 3203(a).
- 4) Defines a "qualified project" as a new development project, or new phase of an existing project, that is located on the land of a "fairground" and undertaken pursuant to a lease,

sublease, license, or other written agreement, and approved by a governing body of a "fairground", as specified.

- 5) Defines a "fairground" as a "fair" or "state-designated fairground" as those terms are defined in Food and Agricultural Code Section 3101(a).
- 6) Provides that a governing body of a fairground shall approve a qualified project.
- 7) Provides that notwithstanding any provision of the Bradley-Burns Uniform Local SUT Law or the Transactions and Use Tax Law, the exemption established by this bill shall not apply with respect to any tax levied by a county, city, or district pursuant to, or in accordance with, either of those laws.
- 8) Provides that the exemption shall not apply with respect to any tax levied pursuant to:
 - a) Revenue and Taxation Code (R&TC) Section 6051.2 or 6201.2;
 - b) Section 35 of Article XIII of the California Constitution; or,
 - c) R&TC Section 6051 or 6201 that is deposited in the State Treasury to the credit of the Local Revenue Fund 2011, as specified.
- 9) Provides that an exemption shall not be allowed unless the purchaser furnishes the retailer with an exemption certificate completed in accordance with any instructions or regulations as the California Department of Tax and Fee Administration (CDTFA) may prescribe and the retailer retains a copy of the exemption certificate in its records and furnishes the copy of the exemption certificate to the CDTFA upon request.
- 10) Provides that if a purchaser furnishes the retailer with a copy of an exemption certificate, but uses property purchased with the exemption certificate in a manner not qualifying for the exemption, the purchaser is liable for payment of sales tax, with applicable interest, as if the purchaser were a retailer making a retail sale of the property at the time the property is so used, and the cost of the property to the purchaser shall be deemed the gross receipts from that retail sale.
- 11) Provides that, for purposes of complying with R&TC Section 41, the Legislature finds and declares the following:
 - a) The specific goals of the tax exemption allowed by this bill are all of the following:
 - i) To encourage new private investment and economic development on fairgrounds;
 - ii) To promote long-term financial sustainability of fairgrounds through public-private development partnerships that generate stable lease revenues and infrastructure improvements;
 - iii) To increase statewide and regional economic activity by facilitating new development that would not otherwise occur due to, among other things, the high cost of construction, labor, utilities, and taxation in California; and,

- iv) To generate net new economic benefits, including construction activity, ongoing business operations, and indirect economic impacts, without reducing existing state or local tax revenues.
- b) Specifies that the performance indicators for the Legislature to use in determining whether the exemption achieves the stated goals are all of the following:
 - i) The number of qualified projects approved under this bill;
 - ii) The amount of private capital investment associated with qualified projects;
 - iii) The extent to which qualified projects generate new economic activity, including construction activity and ongoing operations;
 - iv) The number of leases generated for fairground operations as a result of qualified projects; and,
 - v) The geographic distribution of qualified projects across regions of the state.
- 12) Provides that if the Commission on State Mandates determines that this bill contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to existing law.
- 13) Takes immediate effect as a tax levy.
- 14) Sunsets this bill's statutory provisions on January 1, 2032.

EXISTING LAW:

- 1) Imposes a sales tax on retailers for the privilege of selling TPP, absent a specific exemption. The tax is based upon the retailer's gross receipts from TPP sales in this state. (R&TC Section 6001 *et seq.*)
- 2) Imposes a complimentary use tax on the storage, use, or other consumption of TPP generally purchased out-of-state and brought into California. The use tax is imposed on the purchaser; and unless the purchaser pays the use tax to an entity registered to collect California's use tax, the purchaser remains liable for the tax. The use tax is set at the same rate as the state's sales tax and must generally be remitted to the CDTFA. (R&TC Section 6001 *et seq.*)
- 3) Requires a tax return filed with the CDTFA reporting gross receipts for SUT purposes to segregate the gross receipts on a line or a separate form when the place of sale in this state is on the real property of a "fair", as defined. (Food and Agricultural Code Section 3203.)
- 4) Requires, on or before November 1 of each year, the CDTFA to report to the Department of Finance (DOF) the amount of the total gross receipts segregated on returns for the prior fiscal year (FY). 2% of these gross receipts must then be included in the next annual Governor's Budget for the Department of Food and Agriculture for allocation to fairs. (*Id.*)

- 5) Requires any bill introduced on or after January 1, 2020, that authorizes a SUT exemption, to contain all of the following:
 - a) Specific goals, purposes, and objectives that the tax expenditure will achieve;
 - b) Detailed performance indicators for the Legislature to use when measuring whether the tax expenditure meets the goals, purposes, and objectives stated in the bill; and,
 - c) Specified data collection requirements to enable the Legislature to determine whether the tax expenditure is meeting, failing to meet, or exceeding those specific goals, purposes, and objectives. (R&TC Section 41(a).)

FISCAL EFFECT: Pending. However, the CDTFA estimated that the previous version of this bill would result in reduced SUT revenues of approximately \$945,000 per FY.

COMMENTS:

- 1) The author has provided the following statement in support of this bill:

California's fairgrounds play a vital role in their communities by providing multi-use event space and evacuation infrastructure. Fairgrounds are often prime sites for new housing developments, tech incubators, or other investments that could address local needs while creating new jobs. To catalyze these investments and move fairgrounds onto a long-term path away from relying on state taxpayer dollars, AB 2069 proposes to grant them a sales and use tax exemption for tangible personal property purchased for use in development projects located on fairgrounds.

- 2) This bill is supported by the California Fairs Alliance, which notes:

AB 2069 provides a thoughtful and forward-looking solution by incentivizing new development and public-private partnerships on fairgrounds. By exempting qualifying projects from state sales and use tax, the bill reduces the cost barriers associated with construction, equipment, and capital investment.

Importantly, the bill is carefully structured to ensure accountability and targeted impact. The exemption applies only to new development projects or new phases of existing projects that are approved by a fairground governing body and undertaken pursuant to a formal agreement. The bill also includes time limits on project approvals and preserves local sales and use taxes. By encouraging private investment, AB 2069 will help generate long-term, sustainable revenue streams for fairgrounds, support job creation, and stimulate regional economic growth.

- 3) This bill is opposed by the California Teachers Association, which notes:

In fiscal year 2025-26, the Department of Finance estimated a \$94 billion dollar loss in general fund revenue due to existing tax expenditures. This is revenue that would have otherwise gone to the General Fund, of which approximately 40% would have gone toward the Proposition 98 minimum guarantee. Once tax credits are passed with a simple majority, it takes a two-thirds vote of the Legislature to repeal them.

While we understand that some of these bills are well intended, CTA does not support this approach, as it would reduce overall funding for education. CTA believes Proposition 98 should be protected from reductions through the creation of new or expanding existing tax expenditures.

4) Committee Staff Comments:

- a) *What is a "tax expenditure"?* Existing law provides various credits, deductions, exclusions, and exemptions for particular taxpayer groups. In the late 1960s, U.S. Treasury officials began arguing that these features of the tax law should be referred to as "expenditures" since they are generally enacted to accomplish some governmental purpose and there is a determinable cost associated with each (in the form of foregone revenues).

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. 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. This effectively results in a "one-way ratchet" whereby tax expenditures can be conferred by majority vote, but cannot be rescinded, irrespective of their efficacy or cost, without a supermajority vote.

- b) *An overview of the SUT Law:* The SUT represents the state's third largest source of General Fund (GF) revenues. Nevertheless, the past several decades have seen a dramatic reduction in the state's reliance on the SUT and a corresponding increase in its reliance on personal income tax revenues. In FY 2026-27, SUT revenues are estimated to comprise only 15.2% of the state's GF revenues, down from nearly 60% in FY 1950-51.
- c) *What accounts for the state's reduced reliance on SUT revenues?* The SUT Law was enacted in a very different era. In the 1930s, California's economy was largely dominated by manufacturing, and residents mostly bought and sold tangible goods. Thus, in establishing the base for a new consumption tax, it made sense to impose the tax on sales of TPP, defined as personal property that may be "seen, weighed, measured, felt, or touched." Over the past 90 years, however, California's economy has seen dramatic growth in the service and information sectors, resulting in a significant erosion of the SUT base. For example, the Commission on the 21st Century Economy noted that spending on taxable goods represented 34.6% of personal income in 2008, down from 55.4% in 1980. As a result, tax experts and economists from across the political spectrum argue that California should expand its SUT base.

It could be argued that, while well-intentioned, additional SUT exemptions further erode an already shrinking SUT base. This, in turn, increases fiscal pressures to maintain or even increase California's relatively high SUT rate. High rates arguably promote non-compliance and encourage out-of-state purchases, placing California retailers at a competitive disadvantage. High rates also risk impacting consumer decision-making, which runs counter to widely accepted principles of sound tax policy.

- d) *What would this bill do?* This bill would provide a partial exemption under the SUT Law for TPP purchased for use in the construction, development, or ongoing operation of a

"qualifying project", as specified. The exemption would apply to the state GF portion of the SUT rate (i.e., 3.9375%). This bill defines a "qualified project", in turn, as a new development project, or new phase of an existing project, that is located on the land of a fairground and undertaken pursuant to a lease, sublease, license, or other written agreement. Additionally, the project would need to be approved by the governing body of the fairground. In support of this bill, the author's office notes:

Current law does not provide any targeted incentive to support new investment on fairgrounds. As a result, many fairgrounds – despite being valuable public assets – face deferred maintenance, aging infrastructure, and limited revenue streams.

While fairgrounds are often opportune locations for a variety of development projects, state taxes can prevent these projects from penciling out – causing communities to miss out on valuable long-term investments.

AB 2069 addresses this gap by creating a narrowly tailored sales and use tax exemption for projects located on fairgrounds, helping attract private capital, modernize infrastructure, and generate long-term revenue.

- e) *Existing support for state fairs:* In 2017, Governor Brown signed into law AB 1499 (Gray), Chapter 798, Statutes of 2017, to provide a dedicated funding source for state fairs. Specifically, AB 1499 required that SUT returns filed with the CDTFA must segregate the retailer's gross receipts when the place of sale in California is at a state-designated fair, as defined. On or before November 1 of each year, CDTFA must report to DOF the total gross receipts so segregated. AB 1499 required an amount equal to 0.75% of the total gross receipts to be included in the next annual Governor's Budget for the Department of Food and Agriculture for allocation to fairs.

Last year, the Governor signed into law AB 258 (Connolly), Chapter 683, Statutes of 2025. AB 258 increased, from 0.75% to 2%, the percentage of gross receipts from sales at state-designated fairs used to calculate the annual proposed budget augmentation for the Department of Food and Agriculture for allocation to fairs via the Fair and Exposition Fund.

- f) *A question of scope:* As noted above, this bill provides a partial SUT exemption for TPP purchased for use in the construction, development, or ongoing operation of an approved qualifying project. At the same time, however, this bill was recently amended to specify that the exemption shall not apply to any sale where the place of sale is on or within the real property of a fair as described in Food and Agricultural Code Section 3203, which provides for the dedicated funding source outlined above. It is not readily apparent to Committee staff how these two provisions would work together. For example, if the governing body of a fairground approved a project to build a new soccer stadium on fairground property, it seems clear that the author's intent would be for construction materials used to build the complex to be partially exempt from SUT. If the soccer team in question decided to sell branded t-shirts or other items of TPP at the complex, would those sales potentially be covered by the exemption? On one hand, the exemption specifies that it shall apply to the "ongoing operations" of a qualifying project. On the other hand, this bill's recent amendments suggest that retail sales used to calculate the annual budget augmentation under the Food and Agricultural Code would not benefit

from the exemption. To prevent administrative complexity and potential taxpayer disputes, the author may wish to further refine these provisions to provide greater clarity.

- g) *Policy on tax expenditures:* Both R&TC Section 41 and Committee policy require any tax expenditure bill to outline specific goals, purposes, and objectives that the tax expenditure will achieve, along with detailed performance indicators for the Legislature to use when measuring whether the tax expenditure meets those stated goals, purposes, and objectives. A tax expenditure bill will not be eligible for a Committee vote unless it has complied with these requirements. This bill, in its current form, complies with R&TC Section 41.

In addition to the R&TC Section 41 requirements, this Committee's policy also requires that all tax expenditure proposals contain an appropriate sunset provision to be eligible for a vote. According to this policy, an "appropriate sunset provision" means five years, except in the case of a tax expenditure measure providing relief to California veterans, in which case "appropriate sunset provision" means 10 years. This bill, as recently amended, includes a 5-year sunset date in compliance with Committee policy.

REGISTERED SUPPORT / OPPOSITION:

Support

California Fairs Alliance
Western Fairs Association

Opposition

California Teachers Association

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