
THIRD READING

Bill No: AB 258
Author: Connolly (D), et al.
Amended: 4/30/25 in Assembly
Vote: 21

SENATE REVENUE AND TAXATION COMMITTEE: 5-0, 6/25/25
AYES: McNerney, Valladares, Ashby, Grayson, Umberg

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/29/25
AYES: Caballero, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

ASSEMBLY FLOOR: 77-1, 6/2/25 - See last page for vote

SUBJECT: Fairs: allocation of revenues: gross receipts for sales and use tax

SOURCE: California Fairs Alliance
Western Fairs Association

DIGEST: This bill increases, from 0.75% to 2%, the amount of segregated gross receipts from fair sales that the Governor must propose to distribute to the California Department of Food and Agriculture (CDFA) for allocation to fairs in the annual Governor's Proposed Budget.

ANALYSIS:

Existing law:

- 1) Imposes the sales tax on every retailer "engaged in business in this state" that sells tangible personal property, and requires them to register with the CDTFA, as well as remit taxes collected from purchasers to CDTFA.
- 2) Applies the sales tax whenever a retail sale occurs, which is generally any sale other than one for resale in the regular course of business.
- 3) Provides that unless the purchaser pays the sales tax to the retailer, they are liable for the use tax, which is imposed on any person consuming tangible

personal property in the state, and requires the purchaser to remit use tax to CDTFA.

- 4) Sets the state sales and use tax rate at 7.25% of the sales price of the property sold or used, of which 3.9375% flows to the state General Fund.
- 5) Allows cities, counties, and specified special districts to increase the sales and use tax, also known as district or transactions and use taxes, up to a 2% countywide cap, with some exceptions.
- 6) Creates a network of state fairs, composed of 52 district agricultural associations (DAA), 23 county fairs, two citrus fruit fairs, and the California Exposition and State Fair (Cal Expo).
- 7) Requires retailers, when filing returns to CDTFA, to segregate the gross receipts of the seller and the sales price of tangible personal property when the place of sale or use is on or within the real property of a state fair (AB 1499, Gray, Chapter 798, Statutes of 2017).
- 8) Directs CDTFA to report the total gross receipts segregated to the Department of Finance (DOF) on or before November 1 each year, and requires the Governor to include an amount equal to 0.75% of the segregated gross receipts for allocation to CDFA to fund capital outlay for fair projects at California fairs.
- 9) Provides that CDTFA's calculation of total gross receipts is subject to its review for errors and requires CDTFA to approximate the impact of any errors on the total gross receipts in its report to DOF, to allow an adjusted total gross receipt amount to be determined AB 92 (Committee on Budget, Chapter 18, Statutes of 2020).

This bill:

- 1) Increases the amount the Governor must propose to distribute to CDFA for allocation to fairs in the annual Proposed Budget from 0.75% to 2% of segregated gross receipt fair sales.
- 2) Makes technical changes.

Background

DAAs are state government entities governed by nine-member governor-appointed boards of directors; county fairs are either directly operated by counties or not-for-

profit organizations; citrus fruit fairs are not-for-profit organizations; and Cal Expo is a state agency.

The Division of Fairs and Expositions within the CDFA provides fiscal and policy oversight for the network of California fairs. The Department of General Services provides oversight for the use of state property, procurement, and services contracts. Prior to 2009, license fees imposed on horse racing wagers were deposited into the Fairs and Exposition Fund and the Satellite Wagering Account, which supported the annual budget of the California Horse Racing Board and California fairs. In 2009, the Legislature shifted away from this approach and instead provided an annual continuous appropriation of \$32 million from the General Fund to support fairs. However, the 2011-12 Budget Act eliminated this General Fund contribution to the Fairs and Exposition Fund, and instead required DAAs and state fairs to be financially self-sufficient starting January 1, 2012.

Seeking a new funding source for capital projects at fairs, the Legislature created a novel mechanism under AB 1499. AB 1499 became effective on July 1, 2018, and forms the basis of current state law, which requires retailers to separate, on their sales-tax returns, the gross receipts from any tangible good sold or used on state fairgrounds and directs the Governor's annual budget to propose allocating 0.75% of the amount of those gross receipts to CDFA for state fairs.

However, CDTFA indicated there were significant errors from retailers when segregating sales made at state-designated fairs. As a result, the Legislature enacted AB 92 to authorize CDTFA to review its gross receipts calculations for errors and report the impact of those errors to the DOF for corrected budget proposal allocation amounts. Additionally, the Legislature enacted SB 820 (Committee on Governmental Organization, Chapter 393, Statutes of 2021), which reconciled the timing of retailer reporting and inclusion in the Governor's proposed Budget, among other changes.

AB 2143 (Connolly, Chapter 559, Statutes of 2024) repealed and recast provisions referencing the Division of Fairs and Expositions in the Business and Professions Code into the Food and Agricultural Code. Segregation of sales on fairgrounds, the November 1st CDTFA report, and the requirement that 0.75% of prior-year gross receipts be proposed in the Governor's Budget are still required. However, AB 1499 applied to "state-designated fairs," while AB 2143 uses the broader term "fair."

The amount proposed and appropriated under the 0.75% requirement declined to \$3.1 million in 2022-23, but rebounded to \$5.1 million in 2023-24 and 2024-25.

\$4.9 million is proposed for 2025-26. These amount remains below the funding levels from before the Legislature redistributed license fees on horse racing wagers to the General Fund.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee, this bill would result in an estimated annual General Fund cost pressure of about \$8 million. The enacted 2025-26 budget includes a transfer of \$4.9 million. Under this bill, the transfer would be \$8.2 million higher.

SUPPORT: (Verified 8/28/25)

California Fairs Alliance (Co-source)
Western Fairs Association (Co-source)
California State Treasurer Fiona Ma (Co-Sponsor)
40th District Agricultural Association
California Agricultural Teachers' Association
California Farm Bureau Federation
California State Association of Counties
Rural County Representatives of California
Solano County Fair Association

OPPOSITION: (Verified 8/28/25)

None received

ARGUMENTS IN SUPPORT: According to the author, "Fairgrounds across California have increasingly been called into action during natural disasters like wildfires, in addition to serving as hubs for events, local businesses, livestock, arts, and more. During the devastating Los Angeles fires, local fairgrounds assisted by serving as a relocation center for victims and their animals. Despite the expectation and burden put on fairgrounds to act as an economic hub, as well as emergency response centers, the funding formula for fairs is outdated and insufficient. AB 258 would modestly increase the amount of funding available for the Network of California Fairs in the Governor's Budget, dependent upon Legislative approval."

ASSEMBLY FLOOR: 77-1, 6/2/25

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Fariás, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, Dixon, Elhawary, Ellis,

Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NOES: DeMaio

NO VOTE RECORDED: Hoover

Prepared by: Haley Summers / REV. & TAX. / (916) 651-4117
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