
SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair

2025 - 2026 Regular

Bill No: SB 696
Author: Alvarado-Gil
Version: 5/8/25 Amended
Consultant: Summers

Hearing Date: 5/14/25
Tax Levy: Yes
Fiscal: Yes

SALES AND USE TAX LAW: EXEMPTIONS: FIREFIGHTING EQUIPMENT

Enacts a state General Fund-only (3.9375%) sales and use tax exemption for firefighting apparatus, equipment, or specialized vehicles, as defined, purchased by a fire department, including an all-volunteer fire department, or a fire protection district beginning July 1, 2026, and before January 1, 2031.

Background

Tax expenditures. California law allows various tax incentives, such as credits, deductions, exemptions, and exclusions. When a tax law is determined to have a cost in the form of foregone revenues, such as a sales and use tax exemption, state law refers to them as “tax expenditures.” The Legislature enacts such tax incentives to compensate taxpayers for incurring certain expenses, such as costs related to child adoption, or to influence certain behaviors, such as participating in charitable giving. The Legislature uses tax incentives to encourage taxpayers to do something they would not otherwise do but for the tax incentive. The Department of Finance must annually publish a list of tax expenditures, which currently totals around \$91.5 billion.

Sales and use tax (SUT). State law imposes the sales tax on every retailer selling tangible personal property in this state. Retailers must register with the California Department of Tax and Fee Administration (CDTFA) and remit sales tax amounts collected at sale to CDTFA. If the purchaser does not pay the sales tax to the retailer, the purchaser is liable for paying use tax to the CDTFA. The use tax is imposed on any person consuming tangible personal property in the state. The use tax must be remitted on or before the last day of the month following the quarterly period in which the person made the purchase. The use tax rate is the same as the sales tax rate. The table below shows that the current statewide SUT rate is 7.25%. Additionally, cities and counties may increase the sales and use tax rate up to 2% with voter approval for specific or general purposes pursuant to the California Constitution’s vote requirements.

Rate	Jurisdiction	Purpose/Authority
3.9375%	State (General Fund)	State general purposes.
1.0625%	Local Revenue Fund (2011 Realignment)	Local governments to fund local public safety services.
0.50%	State (1991 Realignment)	Local governments to fund health and welfare programs.
0.50%	State (Proposition 172 - 1993)	Local governments to fund public safety services.

Rate	Jurisdiction	Purpose/Authority
1.25%	Local (City/County) 1.00% City and County 0.25% Local transportation	City and county general operations. Dedicated to county transportation purposes
7.25%	Total Statewide Rate	

Tax exemptions. Many items, such as prescription drugs, food, and poultry litter, are fully exempt from the SUT in California. Other items are exempted only from the state sales tax of 3.9375%, but not the local share, such as farm equipment and machinery, diesel fuel used for farming and food processing, teleproduction and postproduction equipment, timber harvesting equipment and machinery, and racehorse breeding stock. Further, the United States government is exempt from paying the state SUT. However, state law does not provide a blanket exemption from the SUT for other public agencies like cities, counties, special districts, state agencies, transit agencies, or state departments. As a result, these public agencies generally pay the SUT when purchasing tangible personal property or using it in the state.

California Fires. Over the last decade, California has experienced increased, intense, and record-breaking wildfires. These fires have resulted in a devastating loss of life and billions of dollars in damage to property and infrastructure. According to the California Department of Forestry and Fire Protection (CAL FIRE), in 2024 alone, there were 605,868 emergency responses: 8,024 wildfires: 1,050,012 acres burned: 2,148 structures damaged or destroyed: and one fatality. In 2023, there were 595,075 emergency responses: 7,386 wildfires: 332,822 acres burned: 179 structures damaged or destroyed: and four fatalities. As of May 6, 2025, for the year 2025, there have already been 208,397 emergency responses: 1,083 wildfires: 61,205 acres burned: 16,251 structures damaged or destroyed: and 30 fatalities.

The author wants to reduce the financial burden placed on the local fire department by authorizing a SUT exemption for creation purchases made by fire departments.

Proposed Law

SB 696 enacts a state General Fund-only (3.9375%) sales and use tax exemption for firefighting apparatus, equipment, or specialized vehicles, as defined, purchased by a fire department, including an all-volunteer fire department, or a fire protection district beginning July 1, 2026, and before January 1, 2031. The bill makes legislative findings and declarations supporting its purposes, defines several terms, and complies with Section 41 of the Revenue and Taxation Code.

State Revenue Impact

According to the CDTFA, SB 696 will result in an estimated sales and use tax revenue loss of \$21.4 million in fiscal year 2026-27.

Comments

1. Purpose of the bill. According to the author, “The increase of wildfires in California significantly impacts the amount of fires that rural firefighters must respond to, and therefore the materials and resources that they must utilize in order to protect California homes and families. Necessary firefighting equipment including fire trucks, protective gear, and extinguishing tools are costly. California currently offers tax exemptions to certain government entities and non-profits for organizational use. SB 696 would allow fire departments, volunteer fire departments, and fire districts to claim a tax exemption on the sale, storage, use, and consumption of firefighting apparatus, equipment, and specialized vehicles purchased for use. The tax exemption would be imposed on or after January 1, 2026 and sunset in 2031.”

2. “Windfall” or “but for” tax benefit? Tax expenditures produce two different outcomes. The first outcome is a “windfall,” where the tax expenditure rewards behavior that would have occurred without the tax benefit. The second outcome is a “but for tax benefit,” where a particular activity would not have occurred without the incentive created by the tax expenditure. Here, fire departments already purchase the equipment, apparatus, and specialize vehicles, and it is unclear whether or how many local fire departments who need new or additional equipment, apparatus, and specialize vehicles are forgoing these purchases due to the sales and use tax. As a result, SB 696 may be a “windfall” for some fire departments while serving as a “but for tax benefit” to others. The Committee may wish to consider the incentive effects of SB 696 given the possibility of a windfall for fire departments.

3. Revenue loss. Existing tax law provides various credits, deductions, exclusions, and exemptions for certain taxpayers. By authorizing a full SUT exemption for firefighting equipment, SB 696 will result in the State General Fund receiving less revenue. As a result, the state will have to reduce spending or increase taxes to account for the loss.

4. Precedent. Tangible personal property is generally taxable, regardless of the purpose for purchase. By exempting purchases of firefighting equipment, apparatus, and specialized vehicles from the State General Fund sales and use tax rate, this bill reduces costs incurred by fire departments necessary to provide a vital public service. Absent an exemption, sales tax applies to almost every purchase fire departments make, thereby generating revenue for the state General Fund. While the Legislature has enacted a similar exemption for zero-emission transit buses purchased by local agencies, this bill expands the precedent of subsidizing public service spending. The Committee may wish to consider whether the need to offset fire department costs incurred for equipment, apparatus, and specialized vehicles is more acute than costs incurred to provide other services. Additionally, if the Legislature allows a full SUT exemption for firefighting equipment, why should it not extend the same treatment to other emergency service professions? This may lead to a slippery slope where professional equipment is exempt from the SUT, thereby eroding the tax base.

5. State, not local. In recent years, most new sales and use tax exemptions have been limited to the state share of the sales tax, such as equipment used in research and manufacturing, and equipment and fuel used in agriculture. SB 696 continues this trend by extending an existing exemption that only applies against the State General Fund portion of the Sales and Use Tax. As a result, the bill should not negatively affect local revenues.

6. Section 41. Section 41 of the Revenue and Taxation Code requires any bill enacting a new tax expenditure to contain, among other things, specific goals, purposes, and objectives that the tax expenditure will achieve and detailed performance indicators, along with data collection and reporting requirements (SB 1335, Leno, 2014). To satisfy these requirements,

SB 696 finds and declares that the goal is to reduce the financial burden placed on the local fire department. Detailed performance indicators are the number of taxpayers exempting purchases from tax pursuant to this section and the total dollar value of sales exempted from tax pursuant to this section.

To aid the Legislature in determining whether this act meets the goals, purposes, and objectives, SB 696 directs the CDTFA, to the extent feasible, to submit a report to the Legislature by April 1, 2028, and annually thereafter.

Support and Opposition (5/9/25)

Support: El Dorado County Fire Protection District (Sponsor)
Mickey Kaiserman, Director, El Dorado County Fire Protection District
Paul Gilchrest, Director, El Dorado County Fire Protection District
Burbank Paradise Fire Protection District
California Fire Chiefs Association
California Special Districts Association
Cameron Park Community Services District
El Dorado County Fire Chiefs' Association
El Dorado County Professional Firefighters Association
Fallen Leaf Lake Community Services District Fire Department
Fire Districts Association of California
Howard Jarvis Taxpayers Association
Hughson Fire Protection District
Keyes Fire Protection District
Lake Valley Fire Protection District
Lathrop Manteca Fire Protection District
Liberty Fire District
Taxpayers Association of El Dorado County
Turlock Rural Fire Protection District
West Stanislaus County Fire Protection District

Opposition: California Teachers Association

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